

# FAR EASTERN ECONOMIC REVIEW

Vol. V.

Hongkong, October 13, 1948

No. 15

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## THE BUYERS' MARKET AND TRADE CONDITIONS IN BRITAIN

### Higher Raw Material Prices, Stable Export Prices — Production Increases and Business Profit Slump

Now that the nations of Western Europe are themselves to recommend the proportions in which they are to divide United States aid under the European Recovery Programme, and with the prospect of a currency agreement to oil the machinery of recovery, the stage has been set for a new stride towards the rehabilitation of European industry. But, square across its path, lies one of the greatest obstacles it has yet had to face: the very great increase in the cost of the raw materials, imported from outside Europe, upon which the whole programme of industrial recovery must be based. This trend has now assumed the proportions of a major international problem and, unless the increase in raw material prices is checked, it may effectively sabotage the attempts of European governments to halt inflation and balance their external trade budgets.

The problem which the new economic unit of Western Europe will have to face as a whole is sharply focussed in the case of Britain—the only country in Europe, according to the United Nations Economic Commission for Europe, which at one and the same time has succeeded in producing more goods than before the war, exporting more than before the war, and doing so with smaller imports. Yet, every time an increase in Britain's exports appears to narrow the gap in her balance of payments, it is widened again by a further rise in the cost of imports. This is clearly illustrated in the monthly index figures for export prices for June published by Britain's Board of Trade. In this one month, the index of import prices rose no less than 1½ per cent., against an increase in the average price of British exports of only one-half of one per cent. Since March this year alone, import prices have risen by 4¼ per cent., export prices from Britain by only 1½ per cent. In comparison with 1938, import prices are up by 190 per cent., whilst goods made in Britain have increased in price by only 152 per cent.

#### High Cost Of Britain's Imports

When one considers imported raw materials, the increases have been nothing short of fantastic. In June alone, raw material prices rose by two per cent., since March they have increased nine per cent., and since 1933 by 248 per cent.—almost 2½ times over. Increases are even greater when we take some of the main raw materials purchased by Britain, individually. Thus, since 1938, the average price of imported cotton multiplied 3½ times by the first quarter of this year, and in the second quarter it reached on the average no less than 5½ times the 1938 level. In the same two quarters of this year, the average prices of imported oilseeds and nuts rose from 404 to 470 per cent. of 1938 prices, while wool prices increased from 227 to 265 per cent. of the pre-war level. And these are three of the largest classes of raw materials which Britain buys abroad. Food prices also have soared and driven up wages, although—thanks to Government subsidies averaging something like 12 to 14 shillings a week for every family in Britain—these have not risen as fast as in many other countries. Britain's industry has to contend, therefore, with violently inflated costs of production, and it has to do so under a cast-iron ceiling of maximum prices fixed by the Government in the home market. Only in exceptional cases is this ceiling raised to allow for increased labour costs, and these have been largely stabilised. Raw material costs, however, are outside the control of manufacturers or even the Government, when they are imported, and profits (subject always to a high rate of tax) have long ceased to be an adequate shock-absorber. These increases must therefore be passed on to consumers both at home (where they undermine the wage-price control campaign against inflation) and overseas (where they help eventually

to cancel out the profits of raw material suppliers).

#### Export Prices Steady

One means alone remains of absorbing at least part of the rise in raw material prices—increased efficiency of production, both by increasing output per man-hour, and by lowering overheads.

In these circumstances, there could be no greater tribute to Britain's manufacturers than the fact that they have succeeded in keeping export prices so far below those paid for imports from abroad. In vivid contrast with the prices of imported goods, the prices of exports from Britain are changing little. Textile prices have had to be raised to absorb part of the increase in wool and cotton costs from overseas, but prices of metal goods sent overseas from Britain in June were the same on an average as those for April, whilst the prices of exports outside the textile and metal classes have actually fallen during the last two months. As a result, export prices in the three months ending in June, expressed as a percentage of 1938 prices, compared as follows with the equivalent prices for the same goods from other countries: steel—Britain 114 per cent. of 1938, others 162 per cent.; electrical goods—Britain 147, others 172; machinery—Britain 121, others 148; clothing—Britain 192, others 284. That is some measure of the extent to which Britain's manufacturers have served their customers abroad in the matter of price, borne increased costs out of profits and greater efficiency, and contributed to the stabilisation of trade and the war against inflation throughout the world. In doing so, however, they have sacrificed some of the earning-power of the people of Britain relative to others, and left the trade gap open despite remarkable increases in the value and volume of output and exports.



### Higher British Exports

Exports from the United Kingdom have been meeting sterner conditions since the end of the sellers' market. The export drive has stood the first test. In spite of keener competition in many markets and import restrictions imposed by many countries the volume of shipments from Britain goes on climbing. In July the value of exports reached a high record at £145,600,000 and after adjustment to price changes the "volume" of exports was reckoned with satisfaction by the United Kingdom press, partly because it was achieved in spite of a strike of dockers, and partly because it has surpassed the Government's target of 140 per cent. of the 1938 volume which was to be reached during the summer months and comes near to the target of 150 per cent. set for the end of this year.

Merchants, export agents, business writers, and members of the Government continue to warn each other that trade is bound to get still more difficult. Perhaps the backlog of demand will carry Britain through this year, but next year the struggle will get much harder again. There are many stories of cancelled orders or suddenly imposed import restrictions. There are equally many stories of keen competition and orders lost because prices were too high. Not only are the export merchants and sales directors of the manufacturers discussing costs all the time, the journals of the trade unions have lately been full of articles on the need for low costs and high productivity. No one is likely to underestimate the task of building up Britain's export trading in the disturbed world conditions of these days. But the fact that the increase in exports has gone according to plan, or even better, is a cause for quiet satisfaction.

### Steadily Rising Output

After the financial crisis of 1947 Britain's economic policy was shaped to gain two purposes—one, to increase the volume of production, and two, to release an increasing proportion of that volume for exports. It was for these purposes that rations were tightened and imports were cut, direction of labour introduced and export targets set for every manufacturing firm in the country. What has happened since? According to the Cambridge Index of Industrial Production (which excludes munitions) output during the first six months of 1948 continued steadily at a rate about eight per cent. above the average 1947 and 18 per cent. above that of 1946 with a slowly rising tendency. Up to the end of 1947 the volume of exports was increasing at the same rate as that of production. Domestic supplies were, therefore, increasing in step with exports. Since the beginning of 1948, however, exports have increased more steeply than production so that for the first time since the end of World War

II an expanding percentage of the national product is being shipped abroad.

The corresponding contraction of supplies to the home market cannot be measured for some time. There is a good deal of evidence that the new financial policy of running a huge budget surplus has already sobered down people's ideas of spending. Both individuals and businesses have been learning that they need not rush regardless of expense for any supplies within sight. As for individual consumers the money volume of retail sales has been maintained more or less stable but some types of goods have been piling up on the shelves of department stores and other retail shops, as well as in wholesalers' warehouses.

Retail traders are adapting their buying policies for the next six months to estimates of a moderate fall in consumer demand. This view may be upset if wage increases restore the previous income position. There have been some important wage increases, and public discussion is full of warnings that this trend may start another spiral of inflation just when the situation had got under control. But while few people would care to make definite forecasts at this stage total wage increases this year have so far been moderate.

### Falling Profits

Business profits, however, have taken on a new look. A number of firms which flourished on the strength of the war and post-war inflation have begun to find things difficult. The number of business failures has rapidly shot up to almost the pre-war level. Apart from those who have gone under, there are many more whose profits have been falling off. And the majority of businesses which are still earning increasing profits are finding that the rising cost of maintaining and replacing fixed assets is swallowing up great parts of current revenue. This has become an important problem for industry, both in Britain and in the United States. In order to keep the real capital of the business intact managements have to set aside large reserves in addition to the depreciation allowances recognised by the tax authorities. Similarly, firms which have to keep large stocks of raw materials and work in progress have to employ more working capital, and many of them make special contingency reserves against a fall in raw material prices which is no longer regarded as a remote chance.

For all these reasons British industry has been overhauling its plans for new plant and equipment. On second thought many firms have found that they can accommodate additional workers and machines in their existing factories by improving the layout so that there is no need to build a new plant now. Many others have achieved striking increases in productivity by internal reorganisation. Yet an-

other group would like to go on with its new projects but finds that the public has grown cautious in subscribing capital for industrial and commercial securities. For all these reasons the expenditure on new factories and new equipment has been kept down. The Government's own decision to restrict capital expenditure has worked in the same direction. Nevertheless the money value of permits granted for new factory building was only cut down for the first three months of this year and has since recovered to last year's level. The volume of new machinery that reached industry in Britain in the first quarter of 1948 was still about four times that of 1935, in money terms, and probably about twice as much in physical quantities. On the whole although both personal consumption and capital expenditure have so far been only moderately restrained, the result has been to release a considerably larger proportion of the output for shipment abroad.

## ENCOURAGEMENT OF BUILDING PROJECTS BY HONGKONG GOVERNMENT

Government is now prepared to consider applications for the grant of land at rates less than prevailing upset rates and without the competition of public auction to owners of undertakings who cater for the accommodation of a substantial number of workers engaged by them. This has been done in view of the indirect benefits to the community which arise from the proper housing of workers and of the fact that employers who provide such accommodation or who organize comprehensive workers' housing schemes perform in addition direct service to the public which is of great value in the present acute housing shortage.

The encouragement of such projects is a sequel to the former scheme whereby during two years up to the 1st August 1948, Crown land was sold on favourable terms to genuine home-builders, subject to restrictions which prevented the sale of the land at a profit during a certain period. The Secretary of State for the Colonies has given specific approval to the present scheme, and some applications by employers are already under consideration.

As the earlier scheme and the present project involve the alienation of land, which is one of the capital assets of the community, it is not to be expected that the opportunity can be left open indefinitely, but in view of the present phase of active development, applications will be accepted up to the 31st of July, 1950.

It is particularly desirable that undertakings new to the Colony should be aware that these facilities are at present open to them, but the opportunity is not confined to such undertakings and there is no intention to



## HONG KONG'S ASSISTANCE TO CHINA

### Control of Smuggling

On October 6, the Colonial Secretary of Hong Kong Government moved the First Reading of a Bill cited "Smuggling into China (Control) Ordinance, 1948." The members of Hong Kong Legislative Council voted in favour. Second and Third Readings are expected to be completed by the end of October.

Introducing the Bill before Legislative Council the Colonial Secretary (Hon. D. M. MacDougall, C.M.G.) stated:—

The purpose of this legislation is to give effect to the Customs Agreement which has recently been negotiated between the Chinese and British Governments with a view to preventing smuggling so far as Hong Kong is concerned. For many years owing to the high customs duties prevailing, and more recently to restrictions on imports, smuggling into China from various points outside has been a tempting and a profitable business. The Hong Kong authorities and the established and legitimate traders who comprise the overwhelming bulk of our commercial community have always looked with disfavour on what part of this illegal traffic came their way and as early as the end of last century negotiations were opened with the Chinese Government with a view to creating machinery whereby smuggling, at least as regards Hong Kong, could be kept to a minimum if not wholly eliminated. These negotiations were not successful, nor were later attempts made in 1911 and 1929 to reach an agreement between the two Governments on this very thorny question. Approaches were again made to this Government shortly after the defeat of Japan in order to help in restricting the activities of smugglers which had become more prevalent by virtue of the import restrictions imposed in China.

Hong Kong is by no means the only point from which attempts are made to run goods into China; and the control of smuggling is in all respects properly a matter for internal arrangement within the country affected. Nevertheless, China's difficulties were very great and we were anxious to help; we met these advances in a co-operative spirit and after considerable negotiation a Customs Agreement was finally concluded in Nanking on the 20th of January this year. There re-

mained one or two outstanding points of interpretation to be settled but agreement on all issues has now been provisionally reached and the Customs Agreement is ready to go into full operation.

#### Three Ways of Hong Kong's Assistance

The gist of the legislation undertakes to limit the possibilities of smuggling into China in three ways:

(1) It limits the loading of vessels under 200 tons nett to two points within the harbour, one at West Point and the other at the Yaumati Typhoon Shelter. Vessels under 200 tons may also load at Taiipo but there they will be cleared only to a Chinese port at which a Chinese Maritime Customs station is in operation. At the same time the Chinese Maritime Customs will be permitted to set up stations in close proximity to the two designated points in the harbour and there persons exporting goods to China may, if they so choose, pay Customs duty. At these harbour stations the Chinese Maritime Customs will be permitted to maintain officers who will tally on to ships under 200 tons any cargo which has paid Chinese duty in Hong Kong. Exporters shipping on ships above 200 tons also may pay Chinese duty in Hong Kong and the Chinese Maritime Customs may keep a number of officers on board ocean-going ships for the purpose of tallying this cargo.

It is hoped that this system will benefit the Hong Kong exporters who, by paying Chinese duty in Hong Kong, will be enabled to clear their cargo at the point of arrival in China with a minimum of trouble and delay.

Ships leaving for China will be cleared only to designated ports and, on their return to Hong Kong, they will be compelled to furnish proof that they did in fact proceed to the port for which they were cleared. This will of course mean that small boats leaving Hong Kong will not be able to slip in at some small port in China where there are no Customs officials and this should in turn mean that the Chinese Maritime Customs will have complete control over goods from this Colony when they arrive in China.

(2) The Chinese Maritime Customs are given permission to patrol certain portions of Hong Kong waters in Mirs Bay and Deep Bay. In these areas, known as prohibited areas, any vessel which has no proper clearance papers issued in Hong Kong may be detained by the Chinese Maritime Customs and handed over to the Hong Kong authorities for prosecution in the courts of Hong Kong. This provision will prevent small craft surreptitiously using British waters for the purpose of landing contraband cargo on the Chinese shore of Mirs Bay and Deep Bay when no Customs officers are in the vicinity.

(3) The transportation of commodities from Hong Kong to China across the land frontier is limited to four

points opposite Chinese Customs stations on the Chinese side. This will mean that goods which cross our frontier will be directed by us on to Chinese Customs stations where the Chinese authorities will be able to control them.

#### Delay in Legislation

So much for the main provisions of the Agreement originally signed in Nanking. It will be recalled that that agreement was brought into force as from January 20th this year so far as that was possible without legislation by Legislative Council. It was expected at that time that the necessary legislation, then being urgently prepared, could be submitted to Council within at the very most a few weeks.

This Government owes this Council an explanation of the delay which has since ensued. More particularly in view of the tone of some of the reports and statements which have appeared in the press in China from time to time throughout Spring and Summer, these reports, generally speaking have charged us at the best with taking an unreasonably long time to submit to this Council the legislation without which the provisions of the Agreement lacked all sanction. In a word, to put the matter frankly, we have been accused of stalling and I would be departing from the truth if I did not tell you that we resented these charges very bitterly indeed.

What happened was quite simple: the Agreement as it emerged in Nanking under the joint signature of the Governments of China and Great Britain contained by some unhappy accident a map showing the prohibited area in Deep Bay which was different from the prohibited area agreed on the spot in Hong Kong. This need not in itself have been a very serious matter for I should imagine that there are several hundred mutually acceptable demarcation lines other than the one actually chosen and agreed which would have served the purpose of both parties equally well. But the astonishing fact is that the line which appeared on what I may call the Nanking map, out of all the possible lines was the one we were totally unable to accept. It cut our sea communications within the Colony so that you could not sail from Yuen Long to Castle Peak without crossing the demarcation line and entering a forbidden area.

#### Duration of Agreement: 15 months

All this took some time to get straight and there were misunderstandings on both sides; but a solution was never really in doubt and the issue was happily clinched by the very distinguished Director General of the Chinese Customs Service, Mr. Chang Fu-yun, when he paid us the honour of a visit the other day. Nevertheless, both parties had had their eye on January 20th as an effective starting date of the Agreement which was to run initially for one year and if Council accepts the present Bill it will at

restrict the scheme in this way, so that applications by factories, banks, mercantile companies and other large-scale employers already established in the Colony will be entertained.

Applications will be considered each on its merits and particular regard will be paid to the number of employees that will be catered for. Full technical details of projects should be submitted to the Director of Public Works.



the best be near the end of October before it passes into law. The Chinese Government have therefore suggested—and the suggestion seems to us very reasonable—that we might fairly take account of the time lag represented by the two dates, January 20th and the end of October. Subject to Council's approval we proposed to give an undertaking that we will not exercise our right to give three months' notice of termination of the Agreement until one year after the present Bill has had its third reading and been passed into law. In other words, we undertake to give the Agreement a minimum trial period of fifteen months beginning with the date on which this Bill has its third reading. I should explain that the Customs Agreement contains a provision which enables either party to give three months' notice of termination should the operation of the Agreement be found working to that party's disadvantage. So what is proposed is that as from the date of the third reading the Agreement will run for one year, at any date after which either side may terminate at three months' notice.

The line in Deep Bay now mutually agreed with Mr. Chang Fu-yun and designated in the present Bill is subject to final confirmation by the Governments of China and Great Britain by means of letters to be exchanged in Nanking by the appropriate representative authorities. The First Readings of this Bill is therefore being moved today on the understanding that that confirmation will be forthcoming and in order to avoid further loss of time. But the Second and Third Readings, which would normally be moved a fortnight hence, must await the actual confirmation in Nanking of the new Deep Bay line.

#### Manifold Assistance of Hong Kong to China

Having dealt with the main provisions of the Agreement and with some of the technicalities surrounding them I would like now to turn to the broader issues. The proposed Customs Agreement is the latest in a series of steps we have taken to help China in this difficult and dangerous post-war era. Perhaps because she was in the war longer than any of us and longer endured occupation and plunder of her economic nerve centres by the common enemy, she emerged on the day of victory with her economy strained and all but exhausted. To this was then added civil war and inflation and communication difficulties undreamt of in Europe and an adverse balance of payments leading to restrictions on imports. And the whole thing has built up to the present economic situation of which this Council is only too well aware. This is the time above all when China needs and is entitled to ask all the help her friends can give. Her problems will certainly be solved primarily by her own efforts but by the support also of great and powerful friends. We are neither

great nor powerful but we are a friend and we have done to the utmost what lay within us to do to help. Over the last eighteen months in a series of measures both legislative and administrative we have set our face resolutely against those who would seek to feed upon our neighbour's distress. We are a free trade port and by freedom of trade our citizens earn their daily bread.

Yet ships leaving Hong Kong for Chinese ports must have their manifests chopped by our Marine Department prior to their departure in order to ensure that a true manifest is presented to the Chinese Customs at the port of arrival. Our laws against unmanifested cargo loading in Hong Kong for the purpose of smuggling into China have been ruthlessly enforced in China's favour. Smuggled goods cannot be recorded on ships' manifests and therefore have been confiscated by us before leaving for Chinese ports. The Chinese Maritime Customs are permitted to maintain examination officers at the Kowloon Railway Station and they are in addition supplied daily with a list of planes leaving for certain Chinese cities in order to prevent smuggling activities on those planes. Recently also a measure was introduced whereby all manifests of ships are chopped by the Imports & Exports Department before leaving for China.

Under the financial agreement, again with an eye solely to our moral responsibilities to our neighbour, we have imposed an export control over eight major Chinese exports and these commodities cannot be exported from Hong Kong unless the exporter can produce a certificate of origin issued by the Chinese authorities showing that the foreign exchange proceeds have been surrendered to the Central Bank of China.

In recent weeks we have taken steps in Hong Kong to lend all support to the new Chinese Gold Yuan currency. Banks have been forbidden to remit to China or to purchase from China Gold Yuan except through banks authorised by the Chinese Government to undertake such transactions in China. A recent regulation also has prohibited persons bringing into Hong Kong from China or taking into China from Hong Kong more than 20 Gold Yuan and where persons have been found carrying a sum in excess of this figure it has been confiscated in the local courts. So far an amount of about 10,000 Gold Yuan has been so seized.

#### Hong Kong's Self-inflicted Restrictions to help China

The foregoing is an indication of the formidable list of restrictions which a free trading community has inflicted on itself as a voluntary act to assist a neighbour. It is, I venture to say, unprecedented. But the climax is reached with the Legislation now before Council. It is worth while examining

what the present Bill gives to China and what it does not, for there have appeared in the press from time to time a number of suggestions that the powers of the Chinese Customs in Hong Kong are to be wider than is in fact actually contemplated and provided for in this Bill.

Let me say straight away that the Customs Agreement will not stop smuggling. No agreement and no legislation yet devised by the wit of man has been able to do this. It has not stopped it in Europe, it has not stopped it in America and it will not stop it in China.

Nor does the Agreement or this present Bill give the Chinese Maritime Customs power to search ships in Hong Kong, although if they have reason to suspect that unlawful contraband is on a ship about to sail for China they will be able to draw the attention of the Hong Kong Revenue Officers to this fact and the Hong Kong officers will take action accordingly. The Chinese Maritime Customs will not have the privilege of setting up stations in the New Territories although all traffic leaving the New Territories for China will be directed to points where Chinese Customs stations exist. What the Agreement does do is to institute a system of control compatible with Hong Kong's sovereign status which will limit the movement of commodities from Hong Kong to China to those channels of which Hong Kong has control at this end and the Chinese Customs at the other end. The effect must be to reduce smuggling to a minimum and to make it a yet more precarious operation, yet more unprofitable.

The measures which I have outlined have imposed a great burden on our administrative staff. I estimate the cost to the taxpayer in administering these various acts at over a quarter of a million dollars annually. We have placed at the disposal of China our administrative capacity. We have temporarily surrendered some of our sovereign rights at a time when sovereign rights are being ever more jealously guarded in other parts of the world. But yet we have undertaken all these measures willingly and it is reasonable to ask what we in Hong Kong receive in return for all of this.

We, whose life is in free trade, have tied our ships and ourselves up in regulations and all but smothered our long-suffering traders with piles of forms in triplicate, quadruplicate and, I understand, even quintuplicate. The answer is that materially we gain exactly nothing in return: but two priceless non-material things we do gain. First, the satisfaction of standing by a neighbour and of doing what is right and decent—the jackal role is not for us. And the second is the knowledge that by our present actions we are contributing to the possibility of re-establishing in the Far East the conditions of peaceful and ordered trade without which our Colony has



## HONGKONG'S ASSISTANCE TO CHINA AND THE TIGHTENING UP OF TRADE & FINANCIAL CONTROLS

There is much dissatisfaction among local traders with the increasing number of trade and financial controls and although this murmur is not much heard publicly the indication is that the imposition of further controls and trade-restricting regulations will not be borne by the Colony's merchants without spirited opposition. To make things worse, the local trade recession, a consequence of the developing buyers' market all over the world, is reducing both the volume and the profit margin of every business; the shipping companies, the banks and insurance companies feel it and are not inclined to put up with more official restrictions.

It is believed to be the duty of Government to assist business and facilitate commercial relations but to judge by the export regulations which came into force here as from August 3, simultaneous with a policy of tightening up of import licences, the business man is left wondering whether Government really appreciates the activity and importance of the traders particularly in a place like Hongkong whose *raison d'être* has been and remains to be its entrepot business.

In a local report to the *Economist*, of London, the unsatisfactory trade situation is intimated and some discreet suggestions are published which should not fail to impress the powers that be. Following is the *Economist's* article on Hongkong's business conditions.

"The contrast between the prosperity of this Colony and the deplorable state of China's economy has led to a series of attacks from Shanghai blaming China's plight on the administration here." The Hongkong authorities have always stressed that they closely co-operated with the Nanking authorities and that nothing had been left undone here to implement the Sino-British Agreement in regard to smuggling.

no real or useful future at all. We are in truth one world with Asia and in these days of economic difficulties which overshadow so many countries it has become in some measure fashionable for those who have to share with those who have not. We are, as I have said previously, only a small Colony and we have not largesse to distribute on a scale comparable with more richly endowed continents. Yet what we can do we have done. We are making our contribution to China with the faith and the hope that she will surmount the difficulties with which she is now beset. In her long history she has done so before and she will surely do so again. By this measure now before Council we shall have played our part.

"Hongkong has gone to considerable expense in expanding its preventive service by some 30 per cent and has permitted officials of the Chinese Maritime Customs to carry out search within the waters of the Colony. One British shipping company maintains special guards in its ships to forestall any attempt to load or discharge unmanifested cargo. Apart from shipping, Chinese Customs Examination Officers check all railway freight leaving for China from the terminus at Kowloon and also operate at the air port. It is hardly fair, therefore, to accuse Hongkong of non-co-operation.

"It is, of course, well known that a great proportion of the unrecorded imports into China are brought in by Chinese military and naval personnel who are a law unto themselves. Semi-official trading concerns are also responsible for the import and export of a considerable volume of merchandise which is exempt from Customs duties. More recently there have been attacks on isolated customs stations by armed bands; one such incident recently occurred which led to a customs station, a few miles from the British border, being burned down, the surviving officials having to flee for their lives by sea. Until this station is restored there is bound to be a flow of smuggled goods into the surrounding district and it is already reported that a Communist band in the neighbourhood is levying duties on all such goods.

"It is perhaps of some significance that a non-British ocean going steamer of about 10,000 tons recently made the round trip to Macao, a Portuguese Colony with no facilities for any ships other than small coasters and river steamboats. Ostensibly the trip was experimental but it has since been learned that 860 tons of Wood Oil were loaded on the vessel from lighters. The Wood Oil was of Chinese origin and would have been loaded in Hongkong if the present Hongkong export regulations did not require a certificate from the Chinese Authorities that the relative exchange had been surrendered to them.

### Tightening of Trade & Financial Controls in Hongkong

"As Sir Stafford Cripps announced in the House of Commons, there has been a general tightening up of exchange control in Hongkong, and it is now becoming evident that the *entrepot* trade of the Colony is going to suffer. This will mean a shrinkage in the volume of merchandise passing through the port to the detriment of commercial interests generally and with repercussions which may eventually affect the home export drive. Academically there may be good reasons for having a uniform produce in the Sterling Area, but it may be that the price paid outweighs the advantages. There had undoubtedly been a certain amount of leakage, but in the course of the past year the authorities had already closed most of the leaks, and those still re-

maining could have been dealt with under the existing regulations.

"It does not seem to be appreciated in England that Hongkong acts as a warehouse for other territories to a far greater extent than it does for China. In the early 'twenties as much as 70 per cent of Hongkong's entrepot trade was with China, but since then the trade with the territories of South East Asia has developed enormously. By 1938 the trade with China had shrunk to 40 per cent, while today it is estimated at from 15 to 20 per cent. The Chinese are the traders, *par excellence*, of South-East Asian countries, and as they are mainly Cantonese they have close affiliations with Chinese business concerns in Hongkong. There is, in consequence, a considerable exchange of goods between Hongkong and such centres as Bangkok, Saigon, Singapore, Batavia, and more recently Manila. Much of the trade is on a barter basis involving more book entries, but, of course, exchange transactions enter into the financing of the greater portion. What has happened hitherto is that Hongkong, in the words of one of our officials, 'has played the part of the last policeman on the perimeter of the Sterling Area who has not only prevented commodities leaving the Sterling Area via Hongkong for dollar countries, but has also prevented them going to gold dollar areas via Hongkong after leaking from the Sterling Area into other Far Eastern countries.' But no Chinese in Saigon is going to ship rubber to Hongkong for transshipment to the United States if he is only to get sterling from a French bank, as he will under the new regulations. He argues that his produce is worth considerably more than the equivalent of sterling at the official rate of \$4.02. If he cannot get his usual profit he will ship on a through bill of lading and Hongkong will lose the profit it has formerly derived from the storage, handling charges, banking commission and insurance premium on such shipments. Furthermore, the Hongkong authorities have so far controlled goods passing through the Colony on through bills of lading, but under the new regulations it will be well-nigh impossible to apply such controls.

### Hongkong and the Sterling Area

"The comparative freedom enjoyed by Hongkong traders has done much to encourage exports to hard currency areas in Europe. For instance, exports of Chinese produce to Belgium have realised francs, which in turn, have been used to finance the import of building material and piece goods. This trade will now be brought to an end, for, although the Hongkong importer can purchase United States dollars in the open market here to pay for his Belgian goods, he will be buying on onerous terms and will have no set off in the shape of cheap francs paid for by his exports.

"Before the war Hongkong was outside the sterling area. If this Colony exasperates the other members of that group there will probably be no great distress if it is once again placed be-



## THE POLITICAL SITUATION IN CHINA AND THE "GOLD" YUAN CURRENCY REFORM

Soon after the creation of the new currency in China the advance of the Communist armies in the North which culminated in the occupation of Tsinan, the capital of Shantung, and the intensification of fighting in North China and the Manchurian corridor as well as stepped up offensives by guerillas and partisans in Central and South China have confronted the National Government at Nanking with a dangerous position. The success or failure of the new currency experiment will depend, to a large measure, on the military situation. As this appears to be deteriorating and the morale in the Kuomintang shows increasing signs of disintegration, the prospects for a continued stable exchange rate of the "gold" yuan and for stable domestic prices and wages are not favourable.

In a review of the Chinese situation as it presents itself to the outside observer, *The Economist*, of London, intimates the extreme difficulties with which the Chinese Government has to contend and expresses, between the lines, doubt about the eventual success of the "gold" yuan currency reform. *The Economist's* review follows.

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Since the military successes obtained by the Chinese Communist armies early this year, there has been a disposition in some quarters to write off the regime of President Chiang Kai-shek as a lost cause. The patient has appeared to be sinking rapidly and discussion has been directed rather to the character of his heir than to his own chances of recovery. During the last month or so, however, the American doctors by the bedside have been administering injections of such potency that the presumed corpse has been showing signs of renewed vitality; there have also been signs that the patient's own constitution is somewhat tougher than was generally supposed and will not easily give up the ghost. Kuomintang China is still a very sick

man, but there are grounds for questioning the recent statement of an observer of Chinese affairs that "all realistic political speculation now begins with the assumption of a final Nationalist military defeat."

The currency reform which has been taken in hand is the first really serious attempt to tackle the riot of inflation made by the Chinese Government since the Chinese dollar began to get out of control under pressure of the Japanese invasion. Whereas China's last great monetary reform was planned with the advice of a British expert, Sir Frederick Leith-Ross, this one—as is natural in the changed circumstances of the time—is being carried out with American advice and financial backing. A Nanking decree of August 19th announced the establishment of a controlled gold standard "gold yuan" with 100 per cent reserve cover convertible, "under control," into foreign exchange. The primary object of this reform is to stabilize China's finances, revive production and provide definite rates for foreign exchange. A secondary object is to render useless the large amounts of *fapi* held by the Communists (in addition to their own LA or Liberated Areas currency), which has hitherto been used by them for secret buying of commodities in Government-controlled areas or purchase of American dollars on the black market.

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How far this currency reform proves effective will depend on the degree to which its various provisions are administratively enforced, and the story of economic controls in China has not been such as to give rise to an easy optimism on the subject. Yet there are signs of an altogether unwonted resolution in grasping the nettle. The Americans, with memories still fresh of the misuse of Unrra aid to China and of earlier American attempts at economic assistance, are concerning themselves with the details of the new financial measures in a manner which suggests that the grosser forms of corruption will no longer be overlooked; a Sino-American committee with three Chinese and two American members has been formed to administer the American funds which have been voted by Congress. Converging with this American pressure, the reformist group within the Kuomintang has been active in demanding a financial overhaul as an essential condition of the struggle against the Communists. General Li Tsung-jen, who was elected Vice-President by the National Assembly contrary to the wishes of Chiang Kai-shek, is reported to have refused to take up his office unless a successful start were made with currency reform.

President Chiang has responded to this agitation by appointing his eldest son, General Chiang Ching-kuo to enforce the currency law in Shanghai, and the latter has hinted in a speech that measures will now have to be taken against persons hitherto immune from the application of economic controls. Some very privileged fish will no doubt still succeed in slipping through the net, but it seems possible that the meshes are this time going to be drawn closer than they have ever been before.

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Closely linked with the new fight against monetary inflation is the scheme for applying part of the American assistance funds directly to rural rehabilitation under joint Sino-American supervision, which in this case also is to take the form of control by a commission with three Chinese and two American members. This move is the first real counter-attack on the Communist political offensive among the Chinese peasantry. The Communist exploitation of agrarian land-hunger has at least forced one thought into official minds in Nanking and Washington: that the Chinese peasant matters, that he is indeed the most important factor in the civil war. Unless and until the opponents of Communism in China can show the villager that they have the will and capacity to do something for him, and not merely talk about it, Communism will continue to extend its hold on the Chinese countryside. But, with the funds available and a definite policy for spending them, much can be done to provide attractions alternative to the Communist programme and the beginnings of a new deal for the peasant without the threat of the *kolkhoz* which lurks behind the shop window of Communist promises.

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Certainly, if the Nanking leaders and their American advisers have any skill at all in co-ordinating, propaganda with their administrative measures, recent events in Europe should have placed some strong cards in their hands. The agrarian policy now being promoted by the Cominform in Eastern Europe has already made nonsense of the assurances of yesterday that the aim of the Communist-directed land reforms was to give land to the peasants in private ownership and that collectivisation was not intended. There can be no doubt that the ability of Communists to exploit peasant land-hunger as a revolutionary force depends on the peasant's expectation of having land of his own and on systematic concealment by Communists of their ulterior aims. But now that peasant ownership is being threatened in the "People's Democracies" of Europe even sooner after the redivision of the land than it was in Russia, the cat is fairly out of the bag and the

yond the pale. In any case it has been able to hold its own as a participant in the trade of Japan without the privilege of a sterling area country, and as it is almost entirely dependent upon its entrepot trade it might be in its interests to secure freedom of action. The question which is being posed here is "Shall trade become the handmaiden of finance?" Most people would answer "No" and they would base their decision on the fact that for a century Hongkong has grown to its present position as an international mart by reason of its freedom of trade.



Chinese peasant may well be capable of recognising the animal if he can get a good view of it. The Chinese Communists continue loudly to assert that they have no object but to endow peasant proprietors—in Manchuria their radio even boasts of creating large farms operated by "private capitalists" on 20-year leases—but it must become increasingly difficult for them to square their programme with the Cominform denunciations of Tito for allegedly pursuing similar agrarian policies. It is, of course, open to them to take Tito as the model, but how could they reconcile this with their proclaimed devotion to the Soviet Union and their present dependence on it for moral and material support?

Even without headaches over Tito, Chinese Communist agrarian policy seems to have run into heavy weather on the route southward. The Communists have apparently decided to suspend land reform in their areas of control in central China because this region "had not been sufficiently prepared for its enforcement" and to substitute a system of rent and interest reductions. It is complained that "the political consciousness of the farmers, had not been sufficiently awakened, with the result that there was a lack of confidence in the success of the revolution." These difficulties suggest that the Communists find it harder going as they penetrate into what used to be "Free China" during the war than it has been in Manchuria and those parts of North China which were under effective Japanese occupation and where, as a result, the structure of Chinese society was disrupted and the officials and propertied classes either fled or went over to the Japanese. There is indeed no reason to expect that a decisive Communist victory in North China would be automatically followed by similar success in the South within a short period.

Nor have the Communists yet gained the upper hand in North China to an extent which enables them to emerge from guerrilla status and set up a geographically solid *de facto* state of their own. As long as they have not possession of Peiping, Tientsin, Taiyuan, Tsinan or Tsingtao, their control is still a patchwork affair. They have, however, now formed a North China People's Government to combine the local Communist administrations in the five provinces of Hopei, Chahar, Shansi, Shantung and Honan. An assembly of 528 delegates—Communists and fellow-travellers—have elected a council of 39 members, reserving 12 places for areas "to be liberated in the future." This regime is a forerunner of a People's Government for all China, but it is worthy of note that in spite of the fairly good communications which the North China Communists have with Manchuria, no attempt has been made to amalgamate the new North China regime with the Communist administration of Manchuria and thus to create a more imposing political unit. It is not at all unlikely that the Soviet Union has no wish for

## EXCHANGE & FINANCIAL MARKETS

### China's Gold Yuan Currency and Public Opinion

In the matter of the publicity or lack of publicity given to developments in the Chinese currency markets since August 23 (first day of issue of the new yuan in China) the question arises whether the Press has fulfilled its duty to the community. In most instances either silence was observed or Nanking statements, buoyant with optimism in the success of the currency reform, were given prominence; the cabled reports about the yuan's progress of the more courageous American news agencies, containing often damaging information, have however recently obtained more space in the local press and some well-guarded, often unintelligible criticism was published in the vernacular papers.

This self-imposed passivity on the part of financial editors has been partly caused by the desire to cooperate with the Hongkong Government's policy of assistance to the National Government of China, partly it was the result of Government's suggestions to the press of the Colony. The majority of local papers have, in response to official suggestions, suspended the publication of exchange rates for the Chinese yuan. If further proof is required for the gratuitous and unrequited assistance rendered by the Hongkong Government to the Nanking Government, the suspension of unofficial yuan quotations in most local publications is on record.

But the voluntary suppression of the publication of yuan exchange rates, apart from being not in conformity with the ethics of the journalistic profession, is meaningless; these rates exist and they signify, more than official

communiques, the success or otherwise of the Chinese currency reform.

It is all very moving to hear the many expressions of sympathy with the National Government of China and the hopeful expectations for the stability of the new yuan; but conditions as they unfold themselves before the intelligent observer do not encourage hope. It is like wishing good health to a man suffering from consumption at a far advanced stage, and to withhold from him and his family the facts of his grave illness.

In spite of the vigorous campaigns against speculators, hoarders and manipulators—to use the official jargon—black currency and commodity markets exist everywhere in China, cost of living is rising and the "price-freeze" lists of August 19 are already historic documents.

The condition *sine qua non* for the rehabilitation of communications and domestic production is the cessation of the civil war and the balancing of the state budget. To talk now about "stability," when the war is raging in ever wider areas and national attrition is becoming ever more appalling, is sheer economic nonsense. But nonsensical propaganda fills the pages of the press and, finally, serves no useful purpose.

The Chinese authorities delude themselves into believing that by suppressing information about commercial and financial developments in the country the merchants, bankers and business men generally will not know what actually goes on. We can only re-quote a prominent Kunning business man's words (vide our issue of Sept. 1, p. 185)—"It is not the publication of prices creating or stimulating a black market but the developments on the black markets which make news and provide material for publications. It is useless to suppress the publication of such news: the black markets must be suppressed."

The surrender of gold, silver and foreign currencies by holders in China to the Central Bank of China, which was earlier reported in Nanking as an unexpected success with the people "rushing" to the official conversion, appears now to impose less stress on the overworked bank clerks who take in gold and hand over "gold" yuan to the investors. Some inspired accusations in Nanking are now heard that those who do not surrender their gold etc. are nothing but Communists. What perversion and confusion of the meanings of words!

The depreciation of the new yuan in terms of commodities is now a fact which cannot be concealed. The price level of August 19 is slowly sinking. In this connection we think it fit to re-quote a prominent Shanghai foreign resident's words (vide our issue of

such a development, even for the advancement of Communism in China, and Soviet policy is only too well aware, in China as in Europe, of the potential divergence between Communist and purely Soviet interests. The Soviet position in Manchuria is one of effective domination; the country is almost encircled by Siberia, the Mongol People's Republic, the Soviet Zone of Korea and the Soviet gateway guard in Port Arthur and Dairen; the Russians also control the trunk railways. In North China the Soviet Union has no comparable means of pressure and dictation. Whatever Chinese Government might hold Manchuria would—thanks to the Yalta decree imposed on China in 1945—have to share power there with Russia; but, on the other hand, any Chinese Government of nationalist tendency, or sensitive to nationalist opinion, in China as a whole, would inevitably try to enlarge its share at Russia's expense. It is therefore in Russia's interest to keep Manchuria as far as possible separate from any Chinese authority, even a Communist one, set up to the south of the Great Wall.



Sept. 29, p. 312)—“Hitherto, the Government has been bankrupt, out the banks and merchants have had wealth. Should the currency depreciate again, both Government and people will be bankrupt, and there would be a financial crash of tremendous magnitude. The Government's responsibility is very serious.”

As far as Hongkong is concerned, shall one hide one's head in the sand and ignore what happens in China? That would appear to be politic but it is not in accordance with journalistic principles. Information is now to be sacrificed on the altar of “cooperation with China” and the people are to be left to their wits. The Chinese, however, reared in the belief that all people are good and all governments are bad, may by instinct and tradition work out their own individual salvation.

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### HONGKONG CLEARING FIGURES

Following are the Hongkong Clearing House figures for the first nine months of the year of 1948 compared with the same period of 1947:—

	1948	1947
January ..	\$690,869,863	\$442,070,002
February ..	624,267,531	460,807,509
March ....	780,180,420	464,164,534
April .....	753,367,765	541,751,540
May .....	677,060,291	642,913,034
June .....	667,992,698	500,954,782
July .....	656,716,034	628,312,553
August ....	667,791,274	548,873,308
September	667,270,511	633,493,709
October ..	—	611,565,018
November ..	—	512,126,354
December ..	—	608,011,824

\$6,185,516,387 \$6,595,044,175

The Clearing House figure for September 1948 is practically the same as in August reflecting continued high business activity.

The September figure this year is 5.33% higher than the figure of September 1947. The nine months total of this year is 27.18% higher than the total for January/September 1947 of \$4,863,340,977.

Although a slight trade recession has set in since several months the Clearing House figures and the monthly returns of the Import & Export Dept. do not bear out the more pessimistic descriptions of the local commercial situation which emanate from various importers, exporters and wholesale dealers. While profit margins have further narrowed and old stocks can only slowly be liquidated, some of which at a loss or at cost, new orders are regularly placed abroad and cargo is on the move.

The relatively high figure of \$667.2 million for September reflects, largely commercial transactions in the Colony; the turnover at the share market is almost negligible, land and house sales have also considerably decreased, while gold transactions are usually cleared through the native banks and thus do not show up in the Hongkong Clearing House monthly figures.

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### US DOLLAR MARKET

Rates advanced last week and the undertone was firm. Buyers from China were conspicuous; these people acquired HK dollars and then increased the number of competitors for TT New York. Gold importers also bought more and more TT and ordinary merchant demand, although small in comparison with gold import and investment demand, made itself felt on the note and draft market.

Convertible sterling in foreign exchanges rules weak; New York free market business was done last week between 2.66 to 2.80 with an easy tendency; Zurich and European free exchange markets negotiated U.K. resident account sterling around 2.70. The local cross rate moved between US\$ 2.95 to 3.02.

Highest & lowest prices here last week (per US\$100, in HK\$):— notes 535½—523; drafts 540—526; TT 542½—529½ (or US\$18.433—18.885 per HK\$100). Highest & lowest local cross rates per £: US\$3.021—2.949.

Bank of England notes dropped in New York, from 2.78 to 2.62; the local bank note market quoted about the same or 2-3% lower.

Sales in the local native market (in thousands of US\$):— TT 1,337; drafts 542; notes 312.

It was noticed in the market that inward remittances from Chinese in the U.S. were reduced compared to a few weeks ago. This of course had nothing to do with the propagandised attraction of overseas Chinese remittances by the Chinese Government following the introduction of the new yuan currency. It is doubted whether on account of the establishment of the “gold” yuan in China any overseas Chinese remitters had directed their payments to relatives in China through an official Chinese bank; however, there is a seasonal decline in inward remittances which is regularly observed; increases occurring always before Chinese holidays and declines follow after the passing of such holidays. Between the “Double Tenth” (National Holiday of China October 10th) and Christmas there is always a comparatively lean period of inward remittances.

### Chinese Government Buying

The Chinese Govt. agent had stopped buying TT New York when the rate advanced last week. Native bankers learn that a substantial amount in HK\$ in the hands of the Chinese Govt. is earmarked for conversion into TT New York at rates not higher than

HK\$533 per US\$100. This potential demand tends to uphold a high local TT New York rate.

The Chinese Government has always operated in the black currency markets of Shanghai and other Chinese cities and through agents and authorised brokers also engaged in the free exchange markets of the Colony, New York etc. Usually, the Nanking authorities were buyers; their needs for foreign supplies could only be covered by purchases made in the domestic black and foreign unofficial exchange markets.

The admission that the Kwangtung Provincial Government was, on instruction of Governor T. V. Soong, buying only recently large amounts of HK\$ on the black currency markets of Canton and other South China cities (in order to import rice and other essential materials) has caused some stir in the Chinese press; this was the result of the previous lack of information about the direct and indirect operations of the Chinese National Government, and various Provincial Governments on the outlawed exchange markets inside China.

It appears incongruous that black market rates are to be suppressed in China (and the “cooperation” of foreign governments is requested for enforcing Chinese regulations abroad) while the various Chinese authorities have been engaged and continue to be engaged in foreign exchange transactions which are conducted at the rates as quoted by the unofficial markets.

### GOLD MARKETS

The undertone of last week's market was confident and a firm rate for the next few weeks is anticipated. Trading in China has increased, demand for new gold is brisk; other Far Eastern demand is better than during recent months. With a strong TT New York rate the local price should remain on a level of about \$315 and a cross rate of about US\$49.

Highest & lowest prices last week per tael \$323—310½; cross rate per oz US\$48½, low, 49½, high. Canton quoted about \$2 to 5 higher while other outposts offered a few dollars on top of it.

The problem of transportation and the high costs connected with it continue to make the bullion business a difficult proposition. Prospects are however improving so that it is expected that a freer (though still illicit) movement of bullion will soon enhance the volume.

Sales in the local market:— spot, inside the Exchange Society: 18,575 taels, spot, outside the Exchange: 30,320; forward sales, stipulated for delivery, 518,420, and forward, on margin clearing basis, 614,680 taels.

### Trading Reports for the week:—

Monday, Oct. 4:—Opening & closing rates \$310½—315. On the fictitious forward market the change over in favour of sellers was at the rate of interest of 5 cents per tael. Through-



## HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

October	Gold		Silver	Notes		Chinese Yuan		T.T. Canton		U.S. Dollar				
	per High	tael Low		per tael	High	Low	T.T. High	Shanghai Low	T.T. High	Low	Note	Draft	T.T. New York	High
4	317¼	310½	4.10	1.29¼	1.25	1.15½	1.15½	1.18½	1.18½	5.25	5.31	5.34½	5.29½	
5	318½	315¼	4.11	1.25¼	1.17½	1.13¼	1.12½	1.18¼	1.18	5.27	5.33	5.36	5.33½	
6	323	317¼	4.14	1.16	1.11½	1.06½	1.06½	1.16¼	1.12	5.31	5.36	5.41	5.38½	
7	319½	315	4.20	1.10½	1.01	0.99	0.99	1.02	1.02	5.33	5.37	5.39½	5.37	
8	320½	315¾	4.20	1.05	1.00¼	0.87	0.87	1.04½	1.04½	5.31	5.38	5.42½	5.41	
9	317½	315¾	4.20	0.97	0.70	0.72	0.63	0.93¼	0.74½	5.31	5.38	5.40¼	5.40½	

out the week the change over rate continued in favour of sellers. The decline in the "gold" yuan rate stimulated hoarding; the revival of gold markets in the interior was generally noted. Macao stocks, in spite of average arrivals of new bullion, were on the decline: direct exports from Macao to Kwangtung assumed larger proportions.

Tuesday, Oct. 5:—Opening & closing 316½—318½. Change over 4 cents. TT New York ruled firm, the drop of sterling abroad was backing the local rate up: gold importers had to raise their prices in terms of HK\$.

Wednesday, Oct. 6:—Opening & closing 321—317¼. Change over 8 cents. The drooping sterling rate on the free New York market was much commented upon but no undue concern for the stability of sterling was heard. Gold importing native banks sold when the peak price of 322¾ was reached thus bringing the rate down.

Large orders were placed by native banks and their clients; foreign bullion exporters' agents are strongly represented in the Colony—the absence of the 7 or 8 Syrian merchants who were formerly among the brokers, and were not allowed to remain in Hongkong although no reasons were stated officially, is not at all felt in the local bullion market which carries on as usual.

Thursday, Oct. 7:—Opening & closing 319—318½. Change over 10 cents. Gold importers' selling depressed the market and the high interest rate was also a discouraging factor, but the strong TT New York rate could not but keep the gold market on even keel. Large orders placed abroad at around US\$44½, f.o.b. overseas port, were closed, one bank negotiating 40,000 ozs.

Friday, Oct. 8:—Opening & closing 318—316¼. Change over 7 cents. Continual orders placed abroad by native banks and bullion dealers influenced the market, particularly one order for 50,000 ozs. contracted at slightly under US\$45. Bulls started to liquidate.

Saturday, Oct. 9:—Opening & closing 315½—316½. Change over 4 cents. Only favourable sales reports from the interior steadied the market which otherwise was somewhat scared about the big offerings at foreign ports and the many orders placed during the week.

## Movement of Bullion

Imports during the week about 26,000 taels from Macao but local off-

October	BANK NOTE		RATES (PER 100)		Canad. dollar		Malay. dollar		Pound note
	Piastre	Nica. Guilder	Baht	Peso					
4	10.60	36.40	25.30	2.56	4.51	1.76¼			14
5	10.65	36.40	25½	2.58	4.54	1.77			13.98
6	10.60	36.30	25½	2.60	4.55	1.78			13.98
7	10½	36¼	25.60	2.58	4.51	1.80			13.95
8	10.70	36¼	25½	2.60	4.55	1.75			13.95
9	10.80	36.30	25.60	2.59	4.53	1.78¼			13.85

## Curb Markets of Shanghai and Canton

October	Shanghai				Canton			
	Gold in High	per oz. in Yuan Low	US\$ in Yuan	HK\$ in Yuan	Gold in High	per tael in HK\$ Low	HK\$ in Yuan	
4	275	270	5.10	0.85	318	315	0.83½	
5	280	275	5.15	0.86	324	320	0.84½	
6	285	275	5.18	0.94	325	319	0.88	
7	300	290	5.70	1.02	321	315	0.94	
8	340	330	6.50	1.15	316	314	0.98	
9	420	400	8.00	1.39	318	316	1.20	

take exceeded this figure; the current stocks further declined. About 35,000 taels were transacted between interest hedging operators; 10,000 taels were bought by Shanghai and Canton investors who store their new hoards in local vaults or in their villas.

Undeclared exports to Canton and South China ports were small. Exports to Rangoon were also limited not because of any difficulties encountered by the Burmese authorities—on the contrary the import in transit against a very remunerative duty is encouraged—but on account of transfer complications; to get the proceeds out of Burma is not an easy proposition and taxes the ingenuity of bullion and exchange dealers to the utmost. Exports to Singapore comprised about 3,000 taels, to Bangkok about 3,000 taels, to Calcutta (direct) 1,000 taels, to Haiphong about 500 taels.

A gold consignment of 1000 taels previously shipped to an ex-treaty port on the coast was returned to Hongkong as it could not be delivered to the consignees.

## H.K. EXCHANGE CONTROL RULING REGARDING EXPORTS LIABLE TO SURRENDER PROCEEDS

Merchants are informed that in cases where they desire to export goods from Hongkong, the proceeds of which must be surrendered in all or in part through an Authorised Bank, the relative Export 2A green form must in future be submitted to the Bank before application is made to the Department of Imports and Exports for approval. A fourth copy of the form should be prepared for the Bank's records.

Banks have been requested to intimate on the forms that arrangements have been made with the exporter for acceptance of the relative documents in due course.

If payment has been made in advance by the consignee, the Export declaration should be submitted to the Hongkong Exchange Control with supporting evidence for approval.



## SILVER MARKETS

Export business resumed activity and imports from China commenced to replenish local stocks which during the last 4-5 weeks were thoroughly depleted. The Central Bank of China's buying price of yuan 3 per oz lost its attraction in consequence of the depreciation of the new Chinese currency; no silver can any longer be offered to the Nanking treasury as the "gold" yuan is rapidly losing its value in terms of foreign exchange.

Thus all dealers again look towards New York as the only large market for silver and, fortunately, the tendency in the U.S. is up and prices continue strong. Under these circumstances imports from China will be encouraged and re-exports should substantially increase.

Last week's price per tael moved up from \$4.10 to 4.20, equalling \$3.40 to 3.46 per oz; dollar and 20 cents coins sold around \$2.70 and 2.05 respectively (the latter price per 5 coins of 20 cents each). New York advanced from 76½ US cents to 77½ cents, London quoted 47 d spot and forward.

Sales in the native market:—103,000 taels (an unusually large quantity), \$19,000 worth of dollar coins, and \$59,000 worth 20 cents coins. Imports comprised over 20,000 taels (mostly in coins), brought here from Canton, Wuchow and Macao.

One difficulty confronts silver exporters that is the reluctance on the part of native banks to finance consignments to the U.S. There have been recently many disputes between the U.S. Treasury and silver importers in America about the imposition of the Silver Profits Tax; the Treasury is anxious to secure as large as possible a share in the profits and levies a tax which local silver dealers claim, leaves them without a profit altogether. The American silver importers, in most cases, act only as selling agents of Hongkong dealers or banks and what amount they are required to pay to the Treasury in Washington they charge it back to the Hongkong firms.

## PLATINUM

Demand for platinum remains strong but stocks here are almost nil. What little platinum changed hands recently originated from Japanese stocks—the metal was smuggled out of Japan, like e.g. cultured pearls in exchange for medicines and other commodities which were illicitly carried into Japan. Platinum stocks in Japan from ex-army stockpiles, were considerable at the end of the war but since then have been much reduced.

Local buyers took off the market what little was on offer at prices ranging from \$495 to 510 per tael. Such bargains will not recur again except if

further Japanese stocks are brought into the Colony.

World metal markets quote platinum now about 100% over the free gold price, New York bids around US\$ 92 to 95 but some business in London was effected recently at £26 per oz, fob London.

The local market should soon receive some larger quantity of platinum which however may be taken up quickly as a result of the present financial deterioration in China: the Chinese investor has, in the course of his frantic efforts to get rid of the yuan, sunk his funds in almost any available goods, and there should now be little if any platinum on the market in Shanghai. The small local supply has been mostly taken up by investors from China.

## BANK NOTE MARKETS

Trading in piastres, Nica guilders and baht was limited; highest and lowest rates for the three Far Eastern

currencies were respectively:— \$10.80—10.45; \$36.50—36.10; and \$25.70—25.30.

Nica guilders sold in the local market last week: 400,000.

Piastres sold in the local market (in millions of piastres), spot inside Exchange, 3.27; spot, outside Exchange 4.64; forward 7.26.

Trade with Indochina is receding and piastres therefore less in demand.

Baht notes are hoarded by speculators who have previously made a substantial profit when baht notes from an average level of \$19 moved up, within a short time, to the current price of \$25 to 25½.

Exchange rates, on the free market, in Bangkok last week were (in baht) 19.50 for TT New York, 60.20 TT London, 3.75 TT Hongkong (or HK\$ 26.66 per 100 baht, against a local note average rate of \$25½). The unofficial sterling/dollar cross rate in Bangkok usually approximates the Hongkong rate: last week's Bangkok cross was slightly over US\$3.

## HONGKONG OFFICIAL EXCHANGE RATES

## AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60.90d/s. 1/3 5/32 120d/s.	
—Do— (East & South Africa) —Do— (West Africa & West Indies)		1/3 1/8 O/D if under L/Credit. 1/3 3/16 O/D with L/Credit 1/32nd up every 30d/s. 1/3 5/16 O/D if under L/Credit 1/3 3/8 O/D with L/Credit. 1/32nd up every 30d/s.	
RUPEES (India)	82 ¾	83 ¾ T.T. 84 O/D. 84 ¾ 7 & 30d/s. 84 ¼ 60d/s. 84 ¾ 80d/s. All buying rates 3/16th higher than India.	
—Do— (Rangoon)	82 ¾	84 ¾ O/D if under L/Credit 84 ¼ O/D without L/Credit. 84 ¾ 30 & 60 d/s.	
—Do— (Aden)	82 ¾		
STRAITS \$	52 ¾	53 ½ T.T. & O/D. 53 ¾ 30 & 60 days 25 ¾ T.T.	
U.S.\$ 24 15/16	delivery within 2 months with a cut of 1/16 for every further 3 months forward.	25 5/16 O/D—30d/s. 25 3/8 60—90d/s.	
CANADIAN \$			
U.S.\$ NOTES		25 ¾ (Banks to pay Insurance and Postage).	
AUSTRALIA.	1/6 ¾	1/6 ¾ T.T. 1/6 15/16 O/D. 1/6 13/16 T.T.	
NEW ZEALAND.	1/6 7/16	1/6 7/8 O/D.	

No rate for the Chinese currency is quoted by the Hongkong Exchange Bank Association.



## CHINESE CURRENCY MARKETS

Last week witnessed almost the collapse of the new Chinese currency called the "gold" yuan. The moribund Nanking Government was powerless in the face of a general flight away from the new legal tender and into anything which appeared to have more than ephemeral value.

The depreciation of the yuan was not only reminiscent of the worst days of CN\$ slumps but it established a record in this respect; during one trading week the exchange rate of the yuan in China and abroad crashed down by some 40%. This development was not even anticipated by the blackest pessimists and it dismayed and almost paralysed business men of all nationalities.

The seriousness of the current situation in China—which is militarily becoming ever more menacing while the people have, as it were, voted 'no confidence' when they stampeded away from the new yuan—requires no further emphasis than the citing of the exchange and gold quotations; but in terms of commodities the depreciation of the yuan was even more pronounced.

At the moment exports from China have come to a standstill as exportable produce is either not available (hoarders clinging to such goods as their last reserve) or quoted so highly that foreign buyers are no longer interested.

Reports of an impending change of Government in Nanking are frequent but whether a new Cabinet will stem the serious crisis and calm the excited and almost desperate people remains to be seen.

## HONGKONG:—Highest &amp; lowest quotations (per one yuan)—

	High Low HK\$ HK\$	Decrease against parity, in per cent
Notes .....	1.29¼ 0.70	3.04—47½
TT S'hai .....	1.15½ 0.63	13.35—52.73
TT Canton .....	1.18½ 0.74½	11.1 —44.11

Highest & lowest rates (per yuan in HK\$) for TT Swatow 1.25—0.90, for TT Amoy 1.26—0.95.

Sales in the local native market (in yuan):—TT Shanghai 1,510,000, TT and DD Canton 2,320,000, TT and DD Swatow 820,000, TT Amoy 1,242,000. Sales of notes: 474,000 yuan.

In this connection it must be pointed out that the native market turnover does not include total yuan transactions; only sales which pass through more than one entry or are negotiated at the Exchange and through brokers are included in the above figures. During recent weeks, after the inauguration of the new currency, many transfers (by radio, letter, personal communication etc.) have been negotiated directly between buyer and seller or

between a bank and a seller (in Shanghai, Canton etc.). Some large remittances have been reported in the market but they were never recorded. Prior to August 19, most Chinese money transactions were recorded in the local native market but personal security reasons excluded many transactions since that date from the market.

Prospects for a short-lived reaction are not at all encouraging; the pressure of Shanghai funds in all foreign markets is daily increasing and there seem to be no buyers. Nobody wants to acquire funds in Shanghai.

The rate for unofficial TT Shanghai is bound to decline further and will probably touch next week HK\$ 50 per yuan 100, corresponding to a depreciation of the yuan, against the parity, of over 60 per cent.

New York:—Against a nominal rate of 25¼ to 25½ US cents per yuan free market sales were effected last week at 15 to 17 cents, i.e. a discount on the parity of 40%.

## Shanghai:—Highest &amp; lowest rates (in yuan)—

	High Low	Appreciation against parity
Gold per oz	420 400	35 —110 %
US note	8.00 5.10	27½—100 %
HK note	1.39 085	13.34— 85.34%

Gold cross rate US\$51 to 54. HK\$ cross rate US\$16.666 to 17.361 (about 12 to 14% lower than Hongkong unofficial rate of US\$).

Markets were so erratic that no firm quotations were established towards the last days of the week under review. The daily increasing rates for foreign exchange and the rising cost of living created conditions of near panic.

Commercial interest rates were privately given at 15 to 18% per month while official interest rates are from 3 to 5% per month.

Domestic remittances were, once again, prohibited except by special permit; consequently, the discount on Shanghai increased in South China. Differences between the yuan in Shanghai, Chungking, Kunming, Canton increased daily. About 25% discount on Shanghai was quoted in Canton.

Canton:—Gold sold actively at the equivalent of HK\$325, high, to 314, low, per tael (about \$2—5 above Hongkong market). HK notes were bought eagerly but the supply was only a trickle. Within a week the yuan depreciated in terms of HK\$ by about 45%; no sign of recovery was as yet discernible.

The influx of yuan notes from North China started early in the week under review and when over 80 million yuan were thus pumped into Canton the discount on Shanghai became noticeable. Towards the end of the week the Chinese Government came out with the prohibition on the carrying of

amounts in excess of 1,000 yuan (per person) from any place in China to Canton; subsequently the difference between domestic transfers on various cities rose and the situation appeared quite out of control.

A significant development was reported in Canton which illustrates the primitive psychological reaction of the country people; while the conversion rate for yuan is CN\$ 3 million many simple folk did not want to exchange their old money against the new paper money seeing that on both there is only the character "yuan" (dollar) and nothing is being said about "gold". To make things even more confusing the simple country people saw on the old notes the portrait of the "Father of the Republic" (Sun Yat-sen) while on the new money only the portrait of the present President of the Republic (Chiang Kai-shek) is printed. Thus, a "black market" conversion practice has been going on in many places of Kwangtung where CN\$ 2½ million are exchanged for one new yuan.

## FOREIGN BANKS' BUSINESS IN JAPAN

SCAP has given authorization for foreign banks in Japan to perform 6 additional functions. This directive was released to accelerate SCAP's rehabilitation of Japanese economy program and enlarge facilities for Occupation and other authorized personnels. The following are the 6 additional functions:—

- 1) Invest yen deposits in short term obligations of the Japanese Government.
- 2) Act as representatives or agents of foreign nationals in the recovery and administration of prewar assets in Japan.
- 3) Obtain the return of all yen deposits, safe custody items and other property held for their own account or the account of others on December 7, 1941.
- 4) Make yen loans for legitimate operation to firms licensed by SCAP to do business in Japan, provided the firms have a yen income with which they can repay the loans in yen.
- 5) Sell foreign currency drafts to members of the Occupation, persons accredited to SCAP, licensed concerns, and commercial entrants. These drafts will be drawn on banks outside Japan and will be nonnegotiable within Japan.
- 6) Transmit orders for the purchase and sale of securities abroad on behalf of members of the Occupation, persons accredited to SCAP, firms licensed by SCAP and commercial entrants.

Activities heretofore of foreign banks were restricted to providing depositaries, safekeeping and remittance services for Occupation personnel, persons accredited to SCAP and licensed firms, and export-import services to commercial entrants.



## HONGKONG STOCK & SHARE MARKET

The past week, Oct. 4 to Oct. 8, provided another disappointment to followers of the share market. Prices continued to sag with little interest evinced until towards the close when buyers displayed some keenness.

At the prevailing price levels it is generally conceded that most stocks are attractive "buys", particularly since the majority of companies are known to be earning more this year.

Since the 6th September, the market has moved one way without an intervening counter-action. And on the theory that every action is followed by a reaction it is believed the share market is due for a rally.

Total sales reported amounted to 50,844 shares of an approximate value of \$1½ millions an increase of \$¼ million compared with the preceding week.

The Felix Ellis price Index computed from the closing prices of twelve representative active local stocks closed at a new low for the year of 128.13 for a loss of 1.19 compared with the previous week. Day-by-day his averages were: Oct. 4, 139.29; Oct. 5, 138.92; Oct. 6, 138.60; Oct. 7, 138.34; Oct. 8, 138.13.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68.

### Business done:

H.K. GOVT. LOANS: 3½% (1948) @ 101½.

BANKS: H.K. Banks @ 2000.

INSURANCES: Canton Ins. @ 385; Unions @ 785; H.K. Fire @ 275, 280.

DOCKS & GODOWNS: N.P. WHARFS @ 7½; H.K. DOCKS @ 29, 28¾, 28½, 28; S'hai DOCKS @ 19¼, 19½.

HOTELS & LANDS: H.K. Hotels @ 14.50, 14½, 14, 14.20; Lands @ 67; S'hai Lands @ 5.65, 5¾, 5.85, 5.95, 6, 6.10, 6.00.

UTILITIES: H.K. Trams @ 20.35, 20.40, 20¼, 20; Star Ferries @ 125; China Lights Old @ 20.70, 20.40, 20.30, 20¼ and New @ 20; H.K. Electrics @ 38¼, 38, 37¾, 37½, 37, 37½, 37¼; Telephones @ 35½, 34¼.

INDUSTRIALS: Cements @ 40, 39½, 39, 38; Dairy Farm Old @ 43, 42½, 42, 41½, 40 and New @ 40½, 40; Watsons Old @ 56, 55.

STORES: China Emporium @ 9½; Kwong Sang Hong @ 155; Wing On @ 90.

COTTONS: Ewos @ 14, 15, 15½.

\* \* \* \*

### LISTED SHARES AT HONGKONG STOCK EXCHANGE

At Hongkong Stock Exchange are listed at present 3 Government Loans, 59 local and Shanghai shares, and 27 rubber estate shares. In many of the listed shares no business is done; in some shares no business was ever done, e.g. New Asiatic Chemical Works.

The 3 Government Loans are the 4%, 3½% of 1934, and 3½% of 1948.

Out of the 59 shares listed 8 are Shanghai companies, viz. Shanghai Docks, Shanghai Lands, Shanghai Gas, Anglo-French Lands, Shanghai Loan, Shanghai Explorations, Ewo Cotton and Wing On Cotton. The 59 listed shares are the following:—

Banks: Hongkong & Shanghai Banking Corp. (also London Register), Chartered Bank, Mercantile Bank, Bank of East Asia.

Insurance Companies: Canton, Union, China Underwriter, H.K. Fire. Shipping Companies: Douglas, H.K. & Macao Steamboat, Indo-China S.N. Co., Shell, Union Waterboats.

Docks, Wharves, Godowns: H.K. & Kowloon Wharves North Point Wharves, H.K. Docks, China Provident, Shanghai Dockyards.

Mining Companies: Raub Mines, H.K. Mines.

Land, Hotel & Building Companies: H.K. & S'hai Hotels, H.K. Lands, Anglo-French Lands, Shanghai Lands,

Humphreys, H.K. Realities, Chinese Estates.

Public Utilities: H.K. Tramways, Peak Trams, Star Ferry, China Light, H.K. Electric, Macao Electric, Sandakan Light, Telephone, Shanghai Gas. (The Yaumati Ferry Co.'s shares were eliminated from trading at the Stock Exchange).

Industrial Companies: Caldbeck Macgregor, Canton Ice, Cement, H.K. Rope.

Stores: Dairy Farm, Watson, Lane Crawford, Sincere, China Emporium, Sun Co., Kwong Sang Hong, Wing On (H.K.), Powell.

Miscellaneous: China Entertainments, H.K. Construction, New Asiatic Chemical, Vibro Piling, Marsman Investments, Marsman (H.K.), Shanghai Loan, Shanghai Exploration.

Cotton Mills: Ewo, Wing On.

The following 27 rubber estate companies' shares are listed but business in these shares is rarely conducted:—

Alma Estates, Anglo-Dutch, Anglo-Java, Batu Anams, Bute Plantations, Chemore United, Cheng Rubbers, Consolidated Rubbers, Dominion Rubbers, Java-Consolidateds, Kota Bahroe, Kroe-woek Javas, Langkats, Padang Rubbers, Repah Rubbers, Rubber Trusts, Samagaga Rubbers, Semambu Rubbers, Shanghai Kedahs, Shanghai-Malays, Shanghai Pahang, Shanghai Sumatras, Sua Manggis, Sungei Duris, Tanah Merahs, Tebong Rubbers, Ziangbe Rubbers



## SHIPPING STATISTICS OF HONGKONG

## For The First Nine Months of the Year 1948

## TONNAGES AND PASSENGERS INWARD AND OUTWARD

During the first nine months of 1948 the total tonnage of ocean ships aggregated 12,135,430, and the total tonnage of river ships amounted to 1,960,859, making a grand total of 14,096,289.

The largest arrival and departure of ocean tonnage was recorded in May. The largest inward and outward tonnage of river shipping was recorded in August.

The largest number of passengers on ocean ships arrived and departed in March. The largest number of river boat passengers arrived in March, and left in April.

Total passengers, ocean, inward and outward: 395,424, river, inward and outward: 646,872, grand total passengers: 1,042,296.

MONTHS	OCEAN STEAMERS TONNAGE		RIVER STEAMERS TONNAGE		OCEAN PASSENGERS		RIVER PASSENGERS	
	IN	OUT	IN	OUT	IN	OUT	IN	OUT
January .. .. .	619,031	592,021	104,352	105,135	23,906	19,782	31,011	32,460
February .. . . .	543,329	557,534	95,228	96,246	13,880	11,190	29,900	31,100
March .. . . .	715,536	716,003	105,981	105,523	32,389	25,729	40,005	42,383
April .. . . .	651,324	606,514	123,037	123,127	28,088	20,911	37,847	44,687
May .. . . .	743,222	772,700	111,132	111,497	22,511	25,139	39,978	38,402
June .. . . .	690,510	711,658	105,690	102,430	18,115	16,917	34,706	32,962
July .. . . .	686,393	671,442	86,775	90,518	23,617	20,651	31,546	34,102
August .. . . .	734,692	736,436	124,808	124,892	25,163	19,046	37,944	35,544
September .. . .	712,108	674,975	121,685	122,802	24,078	24,412	34,558	38,337
First 9 months .. .	6,096,147	6,039,283	978,689	982,170	211,647	183,777	316,895	329,977

SHIPPING REVIEW FOR  
SEPTEMBER

The recession in Hongkong's trade was reflected in the September shipping figures; the decline in imports, a consequence of growing buyers' resistance everywhere, amounted to 27.83% as far as cargo discharges from ocean going steamers in September against August are concerned. Last month's figure for ocean cargo unloadings was the second lowest of the year; in contrast to these declining figures are the increasing exports which amounted to

the highest postwar tonnage, and showed an increase of 4.19% against August.

Commercial Cargo in September (Ocean Steamers): Cargo discharged: decrease of 27.83%, cargo loaded: increase of 4.19% against August.

The monthly average of 9 months of 1948 for cargo discharged was only 0.75% higher than the 1947 average, while the average this year of cargo loaded for abroad was 23.26% higher than the 1947 average.

## Cargo on River Steamers:

Between Hongkong and South China ports as well as Macao, river traffic in 1948 showed the following cargo figures:—

	Discharged tons	Loaded tons
January/March 1948	26,671	23,405
April/June .. . . .	26,518	26,591
July/September .. .	26,124	19,736
Total 9 months .. .	79,313	69,732

Averages for first 6 months of 1948:— cargo discharged 8,864.8 tons per month, and 8,333 tons for cargo loaded per month.

River cargo figures for the months July to September (in tons):—

	Discharged	Loaded
July .. . . .	10,504	9,282
August .. . . .	7,617	7,055
September .. . . .	8,003	3,399

The river cargo figures reflect the general pattern of trade between the Colony and China during the current year: growing decreases in exports to China, and maintained or slightly increasing imports from China.

## Ocean and River Shipping:

The tonnage of ocean going vessels arriving here in September decreased,

against August, by 3.07%. Outgoing tonnage declined more, by 8.35%.

The effects of the US West Coast strike are as yet not expressed in local shipping statistics but they will tell on the October figures. There was otherwise no change in the in and outgoing ships, the leading flags remain as before the British, American, Netherlands, Chinese, Norwegian, Danish—in that order. The first Japanese vessel called here in September, an oil tanker, but this unexpected event is bound to be duplicated before long as many Japanese tankers are now licensed by SCAP to carry oil mostly from the Persian Gulf to Japan. Commercial vessels under the Rising Sun are as yet not expected to resume part of their prewar operations; Japanese fishing fleets have been out, however, since 1946.

River tonnage, inward, decreased in September by 2½% while outward there was an increase of 1.67% over August. Ships on the Canton and South China ports run have been partly taken off their previous schedules while the Macao run remains overserved. The September river figures show the month as the third best in 1948.

Ocean passengers in September, against August, inward decreased by 4.3%, outward bound increased by 28.18%.

River passengers, inward, decreased by 8.93%, outward increased by 7.86%.

## Bunker Coal &amp; Oil:

	Coal tons	Oil tons
Ocean steamers .. . .	8,172	12,487
River steamers .. . .	742	927
Total in Sept. ....	8,914	13,414

## HONGKONG SHAREBROKERS

The Hongkong Stock Exchange Ltd. has 55 members who are listed below. The permissible number of members is 60.

Firms of Sharebrokers:— Blake & Co. A.A.R. Botelho. B.W. Bradbury. M. Cario. A.H. Carroll. M.A.de Carvalho. Y.F. Chan & Co. Choa Po Min & Co. Croucher & Co. C.D. Culbertson. R.A. Dastur. A.J. Edgar. J.J. Edgar. S.E. Edgar. R.J.R. Elias. F.M. Ellis. A.R.H. Esmail. J.F. Grose & Co. G.A. Harriman & Sons. Ellis Hayim. A.Killaly. H.M. Kew & Co. A. Kitchell & Co. Ko Tai Tim. R. Kopelman. Lau Tak Po. K.B. Lee. S.K. Lee & Co. Li Chok Lai & Co. Ling Man I & Co. Horace Lo & Co. Lo Kin Fai & Co. B.K.L. Lui & Co. Mok Ying Kie (Y.K. Mok, C.A.L. Rickett). R. Pestonji. M.E. Petit. A.H. Fotts. O.P. Remedios. A.A. da Roza. H.R. Sequeira. Seu Kon Chi. F.L. Silva & Co. J.M. Nolasco da Silva. Soo Pei Shao. Soo Pui Chen & Co. J. Sparke. W.T. Staton. B.C. Tavadia. Tester & Abraham. T.O. Ts'o. Waller & Co. (P.A. Waller, F.G. Harrison). J. F. Wright Jr. Yeung Yau & Co. H.S. Yung & Co. Francis R. Zimmern.



### TRADING JUNKS AND LAUNCHES

(in foreign trade, under 60 tons each)

	Inward	Outward
Cargo:		
Junks .....	30,354	3,433
Launches ....	257½	291¾
	30,611½	3,724¾
Vessels:		
Junks .....	111,071	114,417
Launches ....	4,035	4,060
	115,106	118,477

Passengers in junks and launches in September: Arrived 1,331; Left: 5,144. Commercial cargo brought into the Colony from South China ports and Macao decreased slightly compared with August but the decline in the outgoing freight was very heavy. The junk figures also reflect the changing picture of our trade with China; imports from China continue on the same level as before while exports to China are only a fraction of what they used to be in the beginning of this year, not to mention 1947.

In September a total of 1,476 junks were licensed by the Marine Department, of which number 11 were motor junks. An additional 30 launches and motor boats were licensed.

At present the Colony has four junk harbours: Aberdeen and Shauiwan on the Island; Yaumati; and Tai Po Kau, in the New Territories. A new harbour will soon be officially sanctioned for junk traffic: Cheung Chao.

### JUNKS & LAUNCHES

Traffic Figures for first nine months of 1948

ARRIVALS				DEPARTURES			
Tonnage of Launches		Vessels Junks		Tonnage of Launches		Vessels Junks	
January .....	5,132	117,447	January .....	5,493	117,862		
February .....	4,163	85,351	February .....	3,694	87,947		
March .....	4,903	109,268	March .....	4,767	121,495		
April .....	3,732	103,048	April .....	4,555	115,489		
May .....	3,406	99,248	May .....	3,506	99,938		
June .....	3,649	104,249	June .....	3,717	105,725		
July .....	4,489	114,862	July .....	3,857	103,931		
August .....	4,035	111,071	August .....	3,865	113,223		
September .....	4,035	111,071	September .....	4,060	114,417		
Total .....	38,335	961,965	Total .....	37,423	480,027		
Tonnage of Cargo				Tonnage of Cargo			
January .....	149½	37,426	January .....	428	11,206		
February .....	38	25,008	February .....	421	10,531		
March .....	142¼	31,994	March .....	402	6,797		
April .....	162½	29,165	April .....	140½	4,937		
May .....	278	26,963	May .....	336	4,691		
June .....	65½	26,410	June .....	157	4,085		
July .....	101	29,502	July .....	346	2,910		
August .....	268	32,190	August .....	80	6,406		
September .....	257½	30,354	September .....	291¾	3,423		
Total .....	1,462¼	263,012	Total .....	2,602¼	55,196		

### HONGKONG SHIPPING (OCEAN AND RIVER OVER 60 TONS NET) ENTERING AND CLEARING THE PORT OF HONGKONG

Flag	Monthly Average, 1947				Total Jan.-June, 1948				Average Jan.-June, 1948			
	Entered		Cleared		Entered		Cleared		Entered		Cleared	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons
British .....	210.7	312231	210.2	313809	1606	1970095	1609	1987844	267.7	328347	268.2	331307
American .....	26.2	143118	26	142989	182	932373	180	937200	30.3	155395	30.0	156200
Chinese .....	103.2	56465	103	57201	840	403099	842	405837	140.0	67183	140.3	67639
Danish .....	4.8	19908	4.9	20160	47	169152	47	169150	7.8	28192	7.8	28192
Dutch .....	10.5	52079	10.5	52607	90	454176	85	432176	15.0	75696	14.2	72029
French .....	1.4	6725	1.7	6791	18	49892	17	49622	3.0	8315	2.8	8270
Norwegian .....	16.8	34565	16.5	34849	142	315674	143	314599	23.7	52612	23.8	52433
Panamanian .....	7.5	17454	6.8	15938	42	120160	41	117631	7.0	20027	6.8	19613
Philippine .....	4.5	9095	4.2	8906	32	74356	34	76561	5.3	12393	5.7	12760
Portuguese .....	1.3	838	1.3	838	25	12710	25	12710	4.2	2118	4.2	2118
U.S.S.R. ....	1.3	4817	1.3	4894	8	26230	7	19555	1.3	4372	1.2	3259
Swedish .....	3.4	9813	3.2	9505	22	65184	21	62179	3.7	10864	3.5	10363
Other .....	04	880	05	937	4	15274	4	15274	7	2546	7	2546
Total .....	391.64	667988	389.65	669424	3058	4608375	3053	4600388	509.7	768062	509.2	766731



## COMMERCIAL CARGOES

(OCEAN STEAMERS)

Month	Discharged	Year—1947 Loaded	TOTAL	Month	Discharged	Year—1948 Loaded	TOTAL
January	190,450	83,357	273,807	January	180,544	86,534	267,078
February	184,771	54,857	239,628	February	202,807	76,542	279,349
March	249,662	77,219	326,881	March	241,574	81,980	323,554
April	166,681	70,573	237,254	April	224,985	68,215	293,200
May	226,870	75,561	302,431	May	220,097	97,379	317,475
June	161,393	65,529	226,922	June	189,681	93,571	283,252
July	203,281	61,953	265,234	July	158,262	91,612	249,874
August	177,964	62,307	240,271	August	222,296	94,220	316,516
September	143,527	73,849	217,376	September	160,429	98,162	258,591
October	194,688	74,289	268,977	October	—	—	—
November	192,576	83,570	276,148	November	—	—	—
December	156,760	69,498	226,258	December	—	—	—
TOTAL	2,250,625	852,562	3,103,187		1,700,665	788,214	2,588,889
MONTHLY AVERAGES	187,552	71,047	258,599		188,962	87,579	287,654

## SHIPPING REPORT FOR SEPTEMBER

## ARRIVALS

ers. age.	Total No.	Cargo Tonnage.	PASSENGERS				Flag.	Ocean Steamers. No.	Tonnage.	River Steam No.	Tonn
			River Steamers.	River Steamers.	Ocean Steamers.	Total.					
851	256	348,124	4,292	22,703	10,041	32,744	British	109	253,273	147	94,
	30	163,097	—	—	1,391	1,391	American	30	163,097	—	—
834	188	104,243	3,711	11,855	4,599	16,454	Chinese	55	77,409	133	26,
	10	37,600	—	—	1,102	1,102	Danish	10	37,600	—	—
	15	79,770	—	—	5,605	5,605	Dutch	15	79,770	—	—
	1	7,391	—	—	131	131	French	1	7,391	—	—
	1	7,386	—	—	—	—	Japanese	1	7,386	—	—
	18	42,604	—	—	1,181	1,181	Norwegian	18	42,604	—	—
	4	18,299	—	—	1	1	Panamanian	4	18,299	—	—
	5	8,591	—	—	8	8	Philippine	5	8,591	—	—
	2	811	—	—	2	2	Portuguese	2	811	—	—
	1	41	—	—	—	—	U.S.S.R.	1	41	—	—
	5	15,836	—	—	17	17	Swedish	5	15,836	—	—
834	280	485,669	3,711	11,855	14,037	25,892	Total Foreign	147	458,835	133	26,
685	536	833,793	8,003	34,558	24,078	58,636	Total	256	712,108	280	121,

## DEPARTURES

Flag.	Ocean Steamers. No.	Tonnage.	River Steamers. No.	Tonnage.	Total No.	Tonnage.	Cargo River Steamers.	PASSENGERS			
								River Steamers.	Ocean Steamers.	Total.	
British	103	232,885	147	96,217	250	329,102	1,816	29,255	9,253	38,508	
American	29	150,569	—	—	29	150,569	—	—	2,431	2,431	
Chinese	55	83,510	131	26,585	186	110,095	1,583	9,082	5,256	14,338	
Danish	10	37,600	—	—	10	37,600	—	—	919	919	
Dutch	14	71,499	—	—	14	71,499	—	—	3,566	3,566	
French	1	7,391	—	—	1	7,391	—	—	327	327	
Japanese	1	7,386	—	—	1	7,386	—	—	—	—	
Norwegian	18	40,383	—	—	18	40,383	—	—	2,608	2,608	
Panamanian	6	22,946	—	—	6	22,946	—	—	2	2	
Philippine	2	4,246	—	—	2	4,246	—	—	21	21	
U.S.S.R.	2	3,130	—	—	2	3,130	—	—	4	4	
Swedish	4	13,430	—	—	4	13,430	—	—	24	25	
Total Foreign	142	442,090	131	26,585	273	468,675	1,583	9,082	15,159	24,241	
Total	245	674,975	278	122,802	523	797,777	3,399	38,337	24,412	62,749	



## HONGKONG AVIATION REPORT FOR SEPTEMBER AND FOR THE FIRST NINE MONTHS OF 1948.

Air Traffic Returns for the first 9 months of 1948:—

Month	Civil Air Craft Numbers IN	Passengers Numbers IN	Passengers Numbers OUT	Mail kilograms. IN	Mail kilograms. OUT	Freight kilograms. IN	Freight kilograms. OUT
January .....	384	6,275	5,491	8,029	8,975	24,443	138,081
February .....	396	5,754	5,970	9,266	9,982	31,448	132,576
March .....	514	7,627	7,479	12,748	11,465	62,039	164,948
April .....	577	9,602	9,053	14,643	14,713	45,512	78,417
May .....	689	11,125	14,862	14,255	14,862	37,016	68,444
June .....	640	10,351	8,927	14,749	14,753	22,906	80,030
July .....	653	10,062	9,584	14,632	14,725	28,976	81,851
August .....	609	8,190	9,301	16,464	15,693	40,617	73,216
September .....	578	9,333	9,919	14,269	14,472	37,368	57,434
Total 9 months .....	5,020	78,319	80,566	119,055	119,640	330,325	884,997

Totals for first nine months of 1948: passengers 158,885; mail 238,693 kilograms; freight 1,215.3 tons.

## HONGKONG AIR FREIGHT

Hongkong's Imports and Exports by Air; for the first eight months of the Year 1948.

### IMPORTS

#### TOTAL VALUE OF IMPORTS OF AIR FREIGHT

Countries	Jan.-March 1948		Total Jan.-June, 1948		July, 1948		August, 1948	
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom ..	1,112	183,570	2,757	580,836	366	111,074	524	98,307
Australia ..	—	—	7	352	36	1,235	—	—
Canada ..	516	418,245	728	552,691	—	—	—	—
Ceylon ..	—	—	123	80,206	41	27,780	—	—
India ..	8	1,700	8	1,700	—	—	—	—
Malaya (British) ..	877	65,940	1,754	117,704	1	1,627	17	46,292
New Zealand ..	—	—	60	1,912	—	—	17	7,600
South Africa ..	—	—	—	—	—	—	—	—
West India ..	44	3,608	44	3,608	—	—	—	—
Br. Empire, Other ..	—	—	—	—	—	—	—	—
Belgium ..	—	—	1	4,040	—	—	—	—
Burma ..	—	—	23	238,060	2	107,880	12	161,972
Central America ..	—	—	—	—	—	—	—	—
China, North ..	8	1,200	46	2,040	—	—	—	—
„ Middle ..	—	—	59	1,600	—	—	—	—
„ South ..	—	—	355	4,740	—	—	19,683	203,771
Cuba ..	—	—	—	—	—	—	—	—
Egypt ..	—	—	63	2,333	—	—	—	—
Denmark ..	16	350	16	350	34	580	—	—
France ..	2	4,935	176	65,213	50	50	228	28,341
French Indo China ..	23	1,484	44	1,984	—	—	—	—
Germany ..	—	—	438	162,432	—	—	172	49,345
Holland ..	6	1,461	30	1,881	—	—	—	—
Italy ..	13	3,690	13	3,690	—	—	—	—
Japan ..	—	—	32	220	—	—	14	9,737
Netherlands E. Indies ..	—	—	—	—	—	—	—	—
Norway ..	877	25,515	1,431	45,878	203	4,280	146	6,320
Philippines ..	13,222	401,658	45,832	1,308,300	4	211	163	4,979
Siam ..	86	2,512	384	39,351	55	1,700	281	32,578
South America ..	93	14,000	93	14,000	—	—	—	—
Sweden ..	1	1,520	1	1,520	—	—	1	45
Switzerland ..	3,242	3,130,627	3,232	7,918,048	2,264	2,006,024	2,369	2,082,714
U.S.A. ..	11,500	3,237,418	40,758	10,086,385	4,419	1,465,185	3,469	1,293,257
Czechoslovakia ..	—	—	—	—	—	—	51	10,664
Total ..	31,646	7,499,829	103,508	21,241,074	7,475	3,727,626	27,147	4,035,922
Total British Empire ..	2,557	673,063	5,481	1,339,009	444	141,716	558	152,199
Total Foreign ..	29,089	6,826,766	98,027	19,902,065	7,031	3,585,910	26,589	3,883,723



ARRIVALS FOR SEPTEMBER, 1948

Total number of aircraft:—578

Countries	Passengers	Mail	Freight
United Kingdom via Bangkok & ports	112	2,308	3,262
Europe via Bangkok & ports	22	74	2,643
Middle East via Bangkok & ports	13	60	90
Calcutta via Bangkok & China	60	349	487
Rangoon via Bangkok & China	50	53	64
Singapore	147	2,365	306
Bangkok	349	541	1,364
French Indo-China	317	251	177
Manila	1,026	656	1,563
Japan via Shanghai & ports	27	513	673
U.S.A. via Manila & ports	73	213	2,526
Honolulu	24	71	261
Australia	—	—	337
Shanghai	1,269	2,470	4,641
Canton	3,659	2,990	702
China	2,185	1,355	18,252
Total	9,333	14,269	37,368

DEPARTURES FOR SEPTEMBER, 1948

Total number of aircraft:—584

Countries	Passengers	Mail	Freight
United Kingdom via Bangkok & ports	115	2,928	956
Europe via Bangkok & ports	13	30	66
Middle East via Bangkok & ports	11	—	920
Calcutta via Bangkok & China	49	129	475
Rangoon via Bangkok & China	63	—	152
Singapore	136	1,839	1,624
Bangkok	334	195	3,296
Saigon (direct)	178	229	414
Macau	11	—	—
Philippines (direct)	1,502	340	1,800
Japan via Shanghai & ports	31	477	694
U.S.A. via Manila & ports	134	1,092	1,752
Honolulu via Manila	76	52	112
Australia	13	262	—
Shanghai	1,404	1,941	3,360
Canton (direct)	3,825	3,009	15,876
China via China ports	2,024	1,949	25,937
Total	9,919	14,472	57,434

EXPORTS

TOTAL VALUE OF EXPORTS OF AIR FREIGHT

Countries	Jan.-March 1948		Total Jan.-June, 1948		July, 1948		August, 1948	
	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$	Quantity Kilos	Value \$
United Kingdom	115	13,354	176	22,652	13	3,278	—	—
Australia	81	790	86	1,862	—	—	—	—
Canada	109	10,796	148	25,690	—	—	—	—
Ceylon	—	—	15	3,316	24	3,478	4	778
East Africa	—	—	4	500	—	—	—	—
India	7	14,706	7	14,706	—	—	—	—
Iraq	—	—	33	2,445	—	—	—	—
Malaya (British)	112	48,796	301	140,375	9	300	30	1,140
New Zealand	—	—	523	199,332	85	83,315	431	327,686
					16	900	—	—
South Africa	1	60	2	748	—	—	—	—
West Africa	—	—	2	875	—	—	3	985
West India	—	—	—	—	—	—	65	2,775
Br. Empire, Other	719	23,870	1,173	80,147	—	—	—	—
Belgium	—	—	120	23,326	—	—	—	—
Burma	370	14,698	626	23,063	3	465	3	600
Central America	14	1,791	14	1,791	—	—	9	544
China, North	8,749	181,551	9,104	193,809	567	33,920	1,069	24,382
" Middle	216	201,629	305	203,754	78	2,825	57	1,232
" South	68,417	1,044,504	96,091	1,473,152	65,340	558,747	13,244	216,450
Cuba	—	—	52	5,563	8	760	23	5,203
Egypt	—	—	282	18,766	34	11,861	70	3,005
Denmark	—	—	—	—	—	—	—	—
France	26	16,430	76	25,342	—	—	18	1,148
French Indo-China	574	15,602	1,305	60,856	102	3,016	196	11,165
Germany	—	—	148	1,000	—	—	1	100
Holland	1	7	1	7	—	—	39	95,604
Italy	—	—	—	—	—	—	36	1,548
Japan	38	1,520	263	24,491	29	2,874	16	1,232
Netherlands E. Indies	152	19,500	8	2,360	—	—	7	717
Norway	—	—	155	19,635	7	2,090	2	470
Philippines	3,486	29,150	18,975	106,925	5,002	34,789	2,556	14,380
Siam	21,834	762,494	41,345	2,307,364	3,908	165,548	2,721	131,738
South America	—	—	66	10,756	1	130	15	1,563
Sweden	—	—	—	—	—	—	—	—
Switzerland	5	372	1,065	3,852	—	—	18	16,716
Syria	—	—	—	—	—	—	10	650
U.S.A.	5,988	476,284	7,737	1,080,726	1,738	201,416	1,352	442,280
Others	—	—	76	4,440	17	923	—	—
Total	111,014	2,877,904	180,284	6,083,824	76,981	1,110,635	21,994	1,304,091
Total British Empire	1,144	112,372	2,470	492,846	147	91,271	533	333,364
Total Foreign	109,870	2,765,532	177,814	5,590,978	76,834	1,019,364	21,461	970,727



## THE PROBLEM OF WAR DAMAGE COMPENSATION IN MALAYA

(By Our Malayan Correspondent)

Payment of war damage compensation is still exercising the minds of government officials and businessmen throughout Malaya. Select Committees of the Colony and Federal Legislative Councils that are studying the government's proposals submitted in a White Paper a month ago have held meetings during the past week and, even at this stage, it is believed that the proposals will find little support and that some alternative scheme will have to be found.

The most valuable contribution to the discussions which are taking place has come from Mr. H. K. Rodgers, managing director of United Engineers Ltd., the largest engineering concern in the country. Mr. Rodgers was the pre-war chairman of the Singapore Harbour Board and he spent the war years in Australia.

Mr. Rodgers has submitted proposals for an entirely new scheme which will embrace the "Pay As You Earn" principle and he says that his proposals are "an attempt to arrive at a practical solution to the problem based on a full recognition of the tragedy which the war laid on the 'small man' and a complete confidence in the inherent strength and resilience of Malayan trade and industry".

In his introductory remarks to his proposals which Mr. Rodgers has had printed and circulated he says:—"The Malayan War Damage Compensation scheme is based on the principle that the general public interest would be best served if it is accepted that 'the restoration of property and production for the good of Malaya in general must come before the personal interests of property owners'. Throughout the White Paper it is emphasised repeatedly that personal interests must be subjugated to the common weal.

"No one would quarrel with this principle if war damage compensation could be treated as a problem of economics alone. There is, however, an important human aspect which cannot be ignored. There is widespread bitterness over the decision to repudiate any claims for loss of earnings or deterioration in health due to internment. Consequently, the loss of personal belongings, accumulated over many years in Malaya, dims the vision of private individuals more than the damage done to a tin mine or rubber estate. The principle on which the White Paper scheme is based may be sound from the economist's point of view, but it takes no account of the personal tragedy that the war brought to every Malayan home.

"It is not surprising, therefore, that a belief has developed that the White Paper scheme favours the owners of large property and of the means of production to the detriment of the private person. Rightly or wrongly, peo-

ple are saying that the interests of the 'small man' have been sacrificed to so-called big business. Feeling has been fanned by statements made by public men which, in some cases, appear to be founded on a cursory reading of the report and, in others, can only be regarded as irresponsible.

"Further, the real issues have been obscured in a label of argument over such matters as Britain's contribution; the special position of the 'protected Malay States'; the 'seizure' problem arising out of the War Risks (Goods) Insurance; Japanese reparations and the disposal of funds in the hands of the Malayan Custodian of Enemy Property. The estimated reduction of claims under assessment has been misrepresented as a general scaling down of claims. Much capital has been made out of the proposal that claims below certain minima would not be paid.

"The unfortunate result is that public distrusts and condemns a scheme, to which so much thought and care have been given. Feeling on the matter is so strong that to impose it, in its present form, would further split a country already deeply scarred by social and racial rifts. It would be wise statesmanship to try a new approach."

### Proposals of Mr. Rodgers

Mr. Rodgers then proceeds to lay before the public for serious consideration his proposals and he says:—

"This is a scheme for war damage compensation which has been based on the premise that the 'prosperity, contentment and labour of the private individual' (to use Sir Roland Braddell's words) are of more importance to the 'general public interest' than the 'physical restoration of property and production'.

"The cardinal principle underlying the P.A.Y.E. scheme is that, where it is practicable and fair to do so, claimants would be told 'Your war damage claims will be paid as you earn'. In practice, this would mean that the values of war damage claims, after they have been assessed by the Commission, would be credited to income tax accounts of the claimants concerned. Income tax would be levied, according to law, but no money would pass until the above-mentioned credits were liquidated.

"At first sight this may appear to be a revolutionary proposal but, on examination, it will be found that it would confer the following very important advantages:—

1. The Malayan governments would be relieved of the problem of having to find fixed annual sums for war damage compensation.

2. The risk of further inflation would be eliminated.

kilograms in June. Picking goes aged by war would receive immediate taxation relief.

4. The necessity of a costly administrative department to supervise restoration, as envisaged in the White Paper scheme, would disappear.

### Method of application

"All claimants would be allowed the full value of their claims after assessment by the Commission, i.e., there would be no general scaling down and no elimination of claims below arbitrary minima, fixed by each type of claim, as suggested in the White Paper.

"Claims, as assessed, would be divided into two classes—IMMEDIATE and DEFERRED. The IMMEDIATE class claimants would be paid in cash as funds permitted, whereas DEFERRED class claimants would be paid as they earn—by book entries in their income tax accounts.

"The IMMEDIATE class would consist of:—

1. War damage claims in respect to small business and from private individuals, where it can be shown that hardship would be involved if they were placed in the DEFERRED class.

2. All minor claims below a certain figure. This figure would be chosen so as to pay the greatest percentage of claimants and yet not to exceed \$25,000,000 in total.

3. War Risks (Goods) Insurance claims, excluding 'seizure' claims.

"The DEFERRED class would comprise War Risks (Goods) seizure claims and all other war damage claims.

"There would be cases of private individuals whose earnings cease through retirement, sickness or other causes and who would, therefore, cease to be liable to pay income tax. Again, there may be instances where businesses, for some reason or other, are making little or no profit and therefore, would receive little or no remission of income tax to offset their war damage claims. To meet such cases, powers would be vested in the War Damage Commission to transfer such claims from the DEFERRED to the IMMEDIATE class, should such a step be necessary, at any time, to ensure fair treatment."

Mr. Rodgers says that "IMMEDIATE class claims could be paid from funds already in possession of the Government totalling Malayan \$150,000,000, made up of a gift from Great Britain of \$86,000,000, funds in the hands of custodians of property, \$52,000,000 and war risk insurance fund \$12,000,000.

"The DEFERRED claims would, as mentioned previously, be paid to claimants in small instalments equal to their income tax due. Some of these claims might be settled in a very short time but others might take twenty years or more. The question would therefore arise, in many cases, as to how the cost of restoration could be financed.

"One answer would be for the Malayan governments to finance such costs by interest-bearing loans to



claimants but this would involve a heavy drain on government revenues and would undoubtedly require the assistance of His Majesty's Government in the shape of interest-free loans, as already offered. Further, there is no government department which could be organized to administer commercial and industrial loans, the handling of which requires the judgment and experience of bankers, traders and industrialists.

"It is therefore proposed that DEFERRED class claimants requiring financial aid should conduct their own negotiations for loans or overdrafts with the Malayan banks. It is envisaged that a Loan Panel would be created, consisting of representatives of government, banking, trade and industry, to report to the War Damage Commission on the terms and period of each loan or overdraft. The Commission, if so advised by this Panel, would guarantee the security of each approved loan or overdraft, if in the circumstances of the case such a guarantee was necessary, or desirable, in the general interest of Malaya.

"The Commission's guarantee would be limited to the War Damage Compensation award in each case; it would be progressively reduced by the amounts credited annually to the claimant's income tax account. Such guarantees would be backed by the Malayan revenues, which, in turn, would be backed by His Majesty's Government. This, of course, assumes that the recent offer of interest-free loans up to a maximum of Mal. \$300,000,000 could be so applied.

"With this guarantee of security it would be right to expect the banks to grant war damage loans or overdrafts at low rates of interest. The guarantee could also be given in respect of approved loans or overdrafts already arranged to the extent that they had been utilised for the replacement of goods or property lost or damaged in the war.

"It will be clear that the impact of war damage compensation on the Malayan economy under the P.A.Y.E. scheme would be considerably less than under the White Paper scheme. The former scheme admittedly involves the spread of payments over a longer period than has been fixed in the White Paper scheme but it is indisputable that the time required to liquidate the war damage compensation liability ought to have some relation to Malaya's ability to pay. A prosperous Malaya should pay-off the DEFERRED claims quickly but a recession in trade, involving reduced earnings for businesses and private persons, ought to prolong the period required. The P. A. Y. E. scheme complies with this condition."

Mr. Rodgers concludes his memorandum by stating that his suggested scheme makes possible the "restoration of property and production without detriment to the 'prosperity, contentment and labour of the private individual.' It also reduces the risk of inflation and it avoids the necessity of building up a large administration to

## NATIONALISTIC ATTEMPTS TO RESTRICT FOREIGN BUSINESS

*The aspirations of many Filipino politicians and private entrepreneurs in Manila which aim in more or less blunt approaches at the gradual elimination of foreign business men have been often castigated both by responsible Filipinos of all walks of life and by spokesmen of the many alien business communities. The movement to take over foreign commercial relations has not yet gained any real headway but the nationalistic undercurrent is very obvious.*

*The American Chamber of Commerce Journal, Manila, always one of the most courageous spokesmen of foreign interests in the Philippines, have again taken up the cudgels and in an editorial, which is reproduced below, emphasises the dangers inherent in these nationalistic aspirations.*

*The opinions advanced by the Chamber in Manila may also be read and studied, with great advantage, by responsible merchants and political exponents of the Chinese chauvinism, in Shanghai and Nanking; since the end of war much nationalistic agitation in China has been directed against foreign interests generally and a large number of commercial firms have tried, in many cases with conspicuous success, to take over from old foreign firms their agencies and overseas connections.*

(— Ed.)

Many of the world's great manufacturing companies maintain branch offices throughout the world, but many more are represented in foreign countries by what are known as manufacturers' representatives or agents, who transact their local business for them, but who are not in their direct employ. Generally, they are independent merchants.

As such an agent usually represents a number of manufacturers, it is much less costly for a manufacturer to use his services in a foreign country than to maintain a branch office or a sales organization of his own there. In fact, many manufacturers follow a policy of concentrating their efforts on production alone, and maintain no merchandizing department even in their own countries.

Roughly, and without attempting to seek an all-inclusive definition of what is often a rather complex relationship, the functions of a manufacturers' agent include not only the selling of the goods of his principals, either as a broker or an actual importer, but sup-

plying them with information and advice as to the conditions, needs, preferences, etc., of the local market. As generally a specialist both in the goods of his principals and in local market conditions, an agent is usually consulted as to the possible introduction of new lines, changes in a product, and other matters, and his advice is always of great value to the manufacturers he represents. An agent's advisory service is often vital to the principals' success, and his influence on policy may be as powerful as if he were a partner.

In view of this importance of the manufacturers' representative, manufacturers observe the greatest care in their selection. Members of the manufacturing firm may be sent to a foreign country to join the agent there for a time to help establish a good working relationship, and sometimes such men themselves become the local agents. Most often a manufacturer will seek to be represented in a foreign country by some established firm there,—generally an old import and export house, with long experience and with such prestige, and commanding such goodwill in the community, as only long years of honorable business dealings will bring.

Such a relationship once established is of the greatest possible value to the manufacturer, and is to him an asset second to none in the country in question. Conversely, to a manufacturers' agent, the agencies he holds are his prime assets. An agency for some world-renowned product often means the difference between very good sales and only poor sales of perhaps a very similar product less well known. In most cases such representation is the result of a complex involving time, money, knowledge, planning, consumer education, and selling effort,—years of cooperation, mutual confidence, and often high personal regard.

No manufacturer, thus satisfactorily and happily served, would consider for a moment making a change except under the most extraordinary circumstances. Nor would a manufacturers' agent willingly surrender an agency the business for which he may have spent a lifetime to develop.

### Filipino efforts to take over foreign businesses

The foregoing is, we believe (or hope), interesting in itself. But it was presented here only as introductory to the purpose of this editorial,—which is to point out that proposals, recently made, both openly and by implication, by a number of Filipino business men, that American manufacturers enter into "partnership" with them by appointing them as their agents in the place of their present agents, are somewhat unrealistic.

There are today a good number of well known Filipino agents and firms which represent important American and other foreign manufacturers, and there have been for years. The number has grown fairly rapidly since the war and may be expected to continue

plan, control, direct and regulate war damage restoration, such as envisaged in the White Paper scheme. Instead it calls upon the trading and industrial institutions of the country to make a vigorous and united effort to repair, unaided, the devastation of the war.



to grow. But any such wholesale turnover of agencies as is advocated by some of our hypernationalists, is simply impossible from any rational business point of view.

While manufacturers may naturally prefer, other things being equal, agents of their own nationality, there is no hard and fast rule about this, and, in Manila, for instance, many valuable American agencies are held by non-American, including British, Swiss, and Spanish business men or business houses, as well as Filipino. This has never and never would be made the subject of protest by any responsible American business organization here. There are generally always good, time-sanctioned business reasons for such representation.

#### Backward Countries' general attitude vis-a-vis foreign business

The status of branch houses and agents of foreign companies in the various countries of the world is in general well established under the comity of nations as well as by the usual treaties of commerce and navigation. These treaties, among other things, determine and guarantee the local position of the citizens of each state in the other country in regard to residence, property, taxation, etc.

Some countries have always been most liberal in their policies with respect to local representation of foreign business entities, while others have been notoriously unfriendly. To the former class belong the world's greatest, most progressive, and most prosperous nations; to the latter, generally speaking, the more backward countries.

The American Government has never placed any obstructions in the way of the establishment of branches or agencies of foreign business houses in the United States, and many of these companies even operate branch plants there. Any American business directory lists thousands of them.—most of them with famous names known all over the world. These are foreign companies in America, generally directed by foreigners and not by Americans.

And why shouldn't this be so under our system of free enterprise and our system of international trade by which the whole world benefits and advances and every country is the richer? The little-minded hypernationalists only stand in the way of this progress.

#### Elimination of Foreigners?

Foreign business, here as elsewhere, apart from merely its business role, plays an important social and cultural role in its direct and indirect influences. We may well remember how the Japanese suspected and feared and hated the influence of the Americans, British, and other foreigners even when they were shut up in Santo Tomas. Filipinos in the wretched city knew what the mere presence of those people there meant to them. Hope and courage in great waves flowed out of that starving camp. And so for three long years, the Filipinos helped to feed the camp, openly as long as that was possible, and then clandestinely, at the peril of their lives

## PROBLEMS OF TEXTILE TRADE IN MANILA

For some time past, a feeling of uneasiness and misgiving has manifested itself in the local textile business, and to understand the situation it is well, first, to look back upon the nature of this business here during the past few years.

Immediately after the armies of liberation set foot on the shores of Luzon, the "buying-and-selling" of used clothing,—a business which many people had perforce turned to during the enemy occupation, was resumed, and this time on a considerable scale, on the basis of relief goods and army clothing stocks frequently not too honestly acquired. The business was tremendously profitable because the people were in rags and were undismayed by the exorbitant prices they had to pay for what, next to food, they needed most.

The demand appeared to be so insatiable that many local business men, Filipinos and foreigners, including some new-comers with no local experience, launched out as textile importers and indentors. For a while every one of them made money, even those who were cheated by unscrupulous suppliers who sent them inferior goods. Importers could sell their shipping documents long before the arrival of the goods, and make substantial profits.

When the licensing system was discontinued and the OPA control was lifted in the United States, prices of course started moving upward, and our inexperienced importers began sending in further orders, almost regardless of quantity, quality, and price, and before long huge shipments of textiles of all descriptions were pouring into the country.

Meanwhile, the immediate requirements of the people,—who previously had grabbed any article of clothing offered, at any price, had been satisfied, and "consumers' resistance" began to manifest itself.

While prices in the United States have continued to soar because of such factors as the Marshall Plan and the fear of another war here in the Philippines prices took a downward turn. In many instances, certain types of textiles are now selling in the local market at prices lower than in the United States.

The situation locally was worsened by the fact that many textile dealers,

short of cash, were forced to sell their goods at ruinous bargain prices, which caused a further more general drop in textile prices.

The textile business has been adversely affected also by more recent developments, among which are a number of laws recently enacted. One of these laws classified textiles wholly, or in chief value, of silk, wool, linen, or nylon, as semi-luxuries, and raises the luxury tax on their sale from 5 to 15%. Another law, the Import Control Law, will regulate and curtail the importation of luxury and non-essential goods. A third law requires the advanced payment of the sales tax on all imported goods, even prior to their release from the Customs.

The lack of uniform insurance, shipping, and handling charges, due partly to attempts on the part of some shippers to make money on freight charges, contrary to the established practice of charging only the cost, are other disturbing factors. These troubles are in part due to the failure on the part of some buyers to give specific instructions as to the class of insurance desired; to shipping by the supplier in less than car-load lots instead of consolidating shipments; and to delays in Manila in unloading, waiting-time of trucks, etc. The Chinese Textile Importers and Exporters Association has recently adopted a resolution enjoining its members to place no orders except on a c.i.f. basis, but this resolution is not being generally complied with.

Disturbing, also is the practice, on the part of some unscrupulous New York exporters, of shipping goods not up to sample or specification, this being coupled with a reluctance or outright refusal on their part to settle claims arising from such shipments. Many local importers have suffered heavy losses on this account. The Importers and Exporters Association already mentioned has recommended that (beginning August 9) all orders to exporters and suppliers in the United States be placed on sight draft D/P terms, to meet this situation. This practice would, however, result in the elimination of the smaller importers here as well as the local representatives of the smaller United States exporters, as these do not have either the necessary credit, in the one case, or the necessary capital, in the other, for this type of business.

Most disturbing of all in the local textile trade, has been the virtually unannounced and almost surreptitious entry of cheap Japanese textiles, coming either direct from Japan or by way of China. Since the reappearance of cheap Japanese cloth in this market, last year, cotton cloth prices have been spiraling downward and imports of that commodity from the United States have diminished considerably.

According to data compiled by the Bureau of the Census and Statistics, the total value of cotton goods import-

What an atmosphere Manila's would be were certain nationalist zealots to gain their end and were all foreigners totally eliminated! Can anyone imagine it? Gone would be the busy, struggling, zestful cosmopolitan life which has always been so diverse and stimulating. Gone the competition and the cooperation; gone the rivalries and the friendships; gone the common failures and triumphs. Dull, flat, stuffy, stale, and unprofitable Manila. Swamped, embogged, frustrated, stultified Manila. O what a world were then lost!



## THE TRACTORS OF INDONESIA

By W. Preger

(Author of "Dutch Administration in the Netherlands Indies" etc.)

The modern farmer in Canada, America, Australia would be lost without his tractor. On an Indonesian farm, or rather on a farm in Java, it would be the tractor that would in all probability be lost, bogged, most likely, in the soft mud of a "sawah," or wet rice field.

Here in Java the farmers employ more efficient and more intelligent motive-power than that of a tractor. Twenty million farmers on almost as many farms employ about two million carbaos or water-buffalo. The slow, heavy, automotive power, the self-propelling, massive bulk of the carbaos helps the farmer haul and plough. The animals haul, run and push, do almost everything a tractor can do and much more besides.

ed from the United States during the first quarter of 1948 was 30,655,834 pesos as compared with 35,777,536 pesos during the same period last year, a decrease of 5,121,702. On the other hand, the value of cotton goods brought in from China jumped from 865,334 pesos during the first quarter of 1947, to 4,859,048 during the first quarter of this year, an increase of almost 4,000,000. However, the value of rayon and other synthetic textiles imported from the United States during the first quarter of this year totalled 34,072,324, as against 18,650,460 pesos during the corresponding period of last year, an increase of 15,421,864. Surprising is the fact that in the report from which the foregoing figures were taken, no mention was made of the textile imports from Japan, although it is known that huge quantities have been coming in. The National Development Company brought in millions of yards which it has not been able to dispose of. This cheap cloth is a big factor in the present slump in prices.

—Maurc Lamagna

For one thing it can extract its own treads from the clinging mud of any quagmire. It can also avoid roots and rocks and holes entirely on its own initiative. It comes or goes at the farmers call. And no tractor yet assembled has ever been known to do any of these things. Yet the capital outlay for such a marvellous piece of mechanism is substantially less than for the cheapest tractor. Running expenses are quite nominal. As for depreciation, there isn't any. Of course, a carbaos wears out eventually, true. But by the time it is no longer fit to run it has reproduced itself several times over. A new generation or two of lumbering carbaos are at work already by the time the old generation is ready for the scrap heap. Even then its value is still considerable.

If you think too that this helpful animal returns the cost of its upkeep in the form of manure alone then obviously, no tractor ever conceived can possibly compete for favour in the eyes of a Java farmer. It may be taken for granted that no high-pressure salesman no matter how high his pressure will ever succeed in selling a tractor to a "tani" or farmer in Java. His preference will always be the carbaos. And twenty million farmers can't be wrong.

That they are not wrong is evident from the fact that annually with the help of the carbaos about twenty million farmers cultivating over twenty million acres of land grow more than twenty million tons of food stuffs. This does not include export products and other commercial growths such as rubber, kapok, pea-nuts, copra and the like.

The share the carbaos has in this prodigious amount of work and production is considerable. And his share in the domestic economy of the average farmer here is also quite im-

portant. In the production of the primary staple, rice, the following number of hours are spent on the cultivation of one hectare per harvest or about 2½ acres, roughly: Hours of man labour 285; Hours of woman labour 674; Hours of carbaos labour with one team of carbaos 59.

According to the figures women seem to work harder than the men. But that is hardly correct. They work longer. That is all. The reason for this is that ricegrowing is peculiarly a woman's occupation. The young shoots need careful nursing, delicate handling when planting. Harvesting which is also a woman's job requires nimble fingers and a delicate touch. And thrashing is also done by women. It is only the heavy work like ploughing and churning the mud into a smooth consistency which is done by the men. And by the carbaos.

Its share of labour in rice production is important but not great expressed in number of hours worked. It becomes greater on the production of secondary staples or supplementary foods such as corn, soya beans, sweet potatoes, peanuts and similar products. In the production of these crops the carbaos's share of labour is some 35%.

At its best the carbaos is a tall, imposing animal of impressive girth with horns having a span, at times, of at least six feet. Its hide is extremely thick and not porous. The animal cannot sweat. This makes it necessary to let it cool off for a certain period every day. This is done by letting it wallow in streams or mud. Should this be neglected the beast is apt to die in a high fever. Throughout the island it is a common sight to see a huge carbaos ambling quietly down to a stream with a diminutive Indonesian boy perched on its mighty back. Or a herd of them wallowing in a wayside pool or river with little boys splashing and playing with the cumbersome but mild mannered beasts.

Large buffalo herds do not exist in Java. In some areas breeders may have as many as 100 head. But rarely more. The number owned by the

### PHILIPPINE SHIPPING STATISTICS FOR THE FIRST HALF YEAR 1948

Out of the 504 vessels which loaded out of the Philippines, American flag vessels headed the list, with 251 vessels carrying 47.85% of the total exports.

#### 1st half 1948

American British Canadian Chinese Danish Dutch Filipino French Japanese Norwegian Panamanian Swedish

No. of Vessels	251	54	3	1	22	47	19	6	1	64	5	25
Tons	442,202	60,436	11,134	13,004	61,486	37,239	37,848	16,294	6,000	148,350	11,684	78,003
Per Cent	47.85	6.54	1.21	1.41	6.66	4.03	4.10	1.76	.65	16.07	1.27	8.45

#### 1st half 1947

No. of Vessels	177	49	2	6	24	20	28	1	—	44	3	27
Tons	354,049	57,479	9,000	1,34	54,182	12,246	34,655	4,550	—	108,095	9,000	52,976
Per Cent	50.38	8.18	1.29	.02	7.71	1.74	4.93	.65	—	15.38	1.28	7.54



## GREAT CONSTRUCTION PROJECTS IN JAVA

### PRODUCTION OF MORE FOOD FOR THE PEOPLE

One of the most serious problems confronting the Indonesian Government and people is that of feeding the constantly increasing population of Java. Its rate of increase is so great that annually an additional 100,000 tons of husked rice must be provided. The population of Java, the most densely populated island in the Pacific, is dependent for its food almost entirely on its own agricultural growths. And it does indeed produce as much as 93% of the food consumed by its population which before the war had an annual increase of 800,000. Emigration to less populated islands was never more than 50,000 annually. Obviously therefore drastic means are required to cope with the huge increasing demand for foodstuffs. The world supply of cereals is such that for the next 25 years an annual shortage seems inevitable. As a result Java will have to find a way to extract increased food supplies from its soil. An almost insoluble problem when it is considered that every acre of arable land in Java is already under cultivation.

average small farmer, and all farmers in Java are small farmers, ranges from one to eight head of cattle. One family can employ at most no more than two to four animals. The rest are a form of investment. They are hired out for work in exchange for a small fee plus their keep.

Beside working as a draft animal the carabao also serves as food. It is slaughtered for its meat. And for its hide. Buffalo hides are an important export commodity. Prior to the war some 250,000 carabao hides were exported annually. The beautifully fretted, gilt and painted Wayong dolls and the exquisite headdresses, collars and other adornments of the dancers of Bali and Java are made of the hide of the carabao. Its horns are cut and carved and turned into handsome articles of use or ornamentation. In life and death the carabao's uses are many. Certainly more so than the tractor's.

In Middle and East Java hundreds of thousands of water buffalo are used as draft animals. On the sugar plantations too where the cane is carried to the mills by the carbaos harnessed to carts or sleds. This patient and gentle animal is a feature of the Javanese landscape. It has many uses in many ways, among them, the way the elephants are used in Burma. For, in Indonesia too forests are cleared, roots torn up and timber lugged not by petrol run tractors but by the grass-fed tractors of Indonesia, the carabao.

A solution, however, must be found. Such a solution is being sought for by the Department of Irrigation and Re-construction, and as a result of its search a plan—tentatively known as the Federal Welfare Plan—"Java"—has been projected and is being studied. It consists of the following 6 aims:—

1. improved irrigation in the entire plain of Northern West-Java; 2. improvement in the water control system in the territory around the inland Kinder Sea; 3. construction of hydraulic works in the drainage area; 4. improvement in the supply of drinking water for Batavia; combating the incidence of malaria north of Batavia; improving the sewerage system of Batavia; supplying fresh water for industrial purposes for the district around Priok, outside Batavia; 5. construction and improvement of the water-way from the Cheribon district to the district of Bantam; 6. draining the inundated area of the lower Tjitaroem river.

The density of population in Java in 1930 was 316 to the square kilometer. This means that Java was populated twice as densely as Japan, 4 times as densely as China, 8 times as densely as the Philippines and 10 times as densely as Indo-China and Burma. And unlike Japan, Java possesses no important industries. If agricultural production is to be increased two areas only come into consideration, the great plain in Northern West-Java and the territory around the Kinder Sea.

During the wet season, or the West Monsoon, the great plain is entirely under cultivation. During the dry season or the East monsoon practically the entire area, or 85% of it, lies fallow. Were it possible to construct irrigation reservoirs of sufficient capacity then a full second crop could be extracted from its arable area of 415,000 hectares or about 1,040,000 acres.

Of the rivers suitable to serve as a source of supply for the necessary reservoirs first and foremost is the Tjitaroem. This river is a great source of energy. And owing to this fact besides supplying the existing reservoirs it will also be able to feed an additional three very large ones. According to calculations it will even be possible during a year of 80% drought to guarantee an adequate supply of water. This implies that an extra 320,000 tons of husked rice per annum could be produced.

The inferior condition of the irrigation system in the vicinity of the Kinder Sea makes drainage necessary. During the wet monsoon it will be necessary to pump the water into the Indian Ocean. This pumping process will require energy. It can be provided by the hydraulic works at the Tjitaroem. The necessary water supply can be obtained from the overflow of the Serajoe river. And owing to these improvements it is expected that an extra over-all production would be

obtained of about 80,000 tons of husked rice. The northern plain of West-Java and the area around the Kinder Sea will together, thus, be enabled to provide annually an additional 400,000 tons of husked rice.

Of the energy generated by the hydraulic works at the Tjitaroem namely 400 billion k.w.h. only a fractional amount need be employed for the irrigation works, namely: 4 per mille. The rest is free to be harnessed for industrialization on a large scale.

Of the three drafted plans for water reservoirs in the Tjitaroem area the most important will be the one projected for construction in the vicinity of the Bandung table-lands as this reservoir will be located close to some serviceable waterfalls. It will have ample capacity and will provide a large portion of the plain in West-Java with water. Furthermore it will make possible the water-way between the areas of Cheribon and Bantam; the generating of energy for the purpose of improving the hydraulic system; supply energy for industrialization; improve the drinking water supply of fresh water for industrial purposes.

The construction of the reservoirs will cost 25 million guilders, the electro hydraulic works connected with these reservoirs will cost 40 millions, the water works in the northern plain 50 million guilders and improvement of the Kinder Sea about 25 millions. The complete plan of which the above forms about a third will cost about 340 million guilders.

### SUMATRA'S EAST COAST IN AUGUST 1948.

In spite of the very heavy demands made on the energy of the European personnel on the estates causing here and there a reaction in morale, monthly production on the estates is increasing gradually. Rubber production in July amounted to 4704 tons against 4363 tons in June, this production came from 105 estates with a tapped area of 41,507 hectares. Production of palm-oil amounted to 4895 tons of oil and 1,230 tons of kernels against respectively 3,976 tons and 980 tons in June. 18 estates were in production with an area of 22,839 hectares. The production of tea amounted to 146,754 half-kilograms against 121,665 half-kilograms in June. Picking goes on on 10 estates but only the Martoba factory is in full exploitation. Other factories are under repair and the work is proceeding satisfactorily. Fibre production in June amounted to 439,000 tons from 4 estates. The labour problem remains difficult. The question of recruiting has reached a deadlock which will have to be broken in order to prevent production from dropping.

Everywhere the ladang-paddy has been planted; in Langkat 8500 hectares have been planted as against 5000



## INDONESIAN ECONOMIC REPORTS

### MARSHALL-AID FOR INDONESIA

The Netherlands and Indonesia being closely linked economically and financially, Indonesia will share with the Netherlands in the Marshall-aid granted to 16 West-European countries. Financial aid to Indonesia is motivated on two counts: first, because rehabilitation in Indonesia will aid the Netherlands as a Marshall-country; secondly, because rehabilitation in Indonesia will considerably improve world supplies of raw materials.

An amount of several dozen millions of US\$ has been set aside for Indo-

nesia to cover the 2nd, 3rd and 4th quarters of 1948. Three-quarters of this total is made up by "grants", the balance by "loans". The "grants" are made to restore a reasonable consumption level and so this group specially covers foodstuffs (rice and flour), tobacco for cigarettes, and textiles. The heading "loans" covers such purchases as will lead to increased production and larger exports, such as raw materials for industries, machinery, road building materials etc.

For "grants" no dollar-repayment need be made. The value of the commodities purchased under this heading must, however, be paid into a fund to be utilized, in consultation with the U.S. Government for rational welfare projects. The "loans" will have to be refunded in U.S. dollars after a number of years. Repayments will have to be made—after the period of intermission—in annuities over 25 years and in U.S. dollars.

To secure Marshall-aid a number of documents will have to be produced for materials to be financed under either grants or loans, showing purchase, price, mode of shipment, and arrival in Indonesia.

For goods arrived and paid for since April 3rd, a selection will be made within the scope of the purchasing programme, and, of course, bulk purchases will be preferred to cut down on the number of documents. Whether for the future the same system can be followed remains to be seen.

The improvement in Indonesia's dollar resources resulting from Marshall-aid will enable the Indonesian purchasing programme to be considerably expanded. The selection of goods to be ordered will be fixed in close consultation between the existing Import Conventions and the Bureau of Supplies of the Economic Affairs Department.

hectares before the war; in Deli-Serdang the area is about 25% larger than before the war.

The native rubber area on Sumatra's East Coast was in 1936 estimated at 15,800 hectares; a correction in 1940 gave a total of 25,010 hectares. After deducting 30% for destruction, the area now amounts to about 17,500 hectares. Estimated yearly productions per hectare vary between 380 and 435 kilograms. Slab-production is still predominant, but sheet-production is increasing considerably, owing to supply of materials by the Agricultural Advisory Service. 5 out of the 9 remilling-factories are now operating again with a capacity of 12,900 tons. After rehabilitation has been completed, the capacity will amount to 21,350 tons. This capacity is on the high side. Moreover there is a strong tendency to transfer the factories (remilling) from Malaya to the East Coast of Sumatra.

The laying out of a nursery which is to supply seedlings for 200 hectares for growing shade-rows, was completed; another new nursery is being laid out. The quantity of cut wood has increased from 1,476 cubic metres in June to 1,825. The production of timber was increased from 872 to 1234 cubic metres; more than 50% comes from the forest-reserve Tanah Djawah. Rattan-production has again increased considerably, viz.: from 13,555 in June to 27,355 in July. Remarkable is the highly increased production of damar from 250 Kg in June to 1350 Kg. 27 machine-driven saw-mills are working, 7 are being built, 2 more licenses for building such saw-mills having been granted. This is a respectable number for the East Coast where as a matter of fact timber is scarce and it is to be expected that many of these mills will disappear when prices of timber have dropped to a more normal level.

200 tons of soap, 168 tons of coconut oil, 146 accumulators, 241,000 cigarettes and 300 sarongs were manufactured in July.

The Deli Railway Company carried during the first half of this year 107,766 tons of goods from Belawan and 47,648 tons to Belawan.

### INDONESIAN EXPORTS IN JULY 1948

	July 1948	June 1948
Value	NEI f. 110 million (US \$ 41 million)	NEI f. 95 million (US \$ 36 million)
Weight	metric tons 559,000 (long tons 550,173)	metric tons 416,000 (long tons 409,431)

Indonesia overall exports for July 1948 broken down into regions:—

	Weight		Value (millions)	
	metric tons	long tons	NEI f.	US \$
Java .....	56,070	55,185	38	14
Sumatra .....	430,490	423,693	44	16
Borneo .....	51,000	50,195	12	4.5
East Indonesia .....	21,000	20,668	15	5.6

Indonesia overall exports for July 1948 broken down into export commodities:—

	July 1948		June 1948	
	metric t.	metric t.	NEI f. (millions)	US \$ (millions)
Rubber ..	28,248	28,000	26	10
Copra ....	25,267	27,000	19	7
petroleum products	401,303	297,000	28	10.5
tin & .....				
tin ore ..	3,851	3,750	12	4.5
palmoil ....	4,082	2,759	4.7	1.8
sugar ....	22,076	7,688	5.9	2.2

July 1948—Overall exports—Principal destinations:—

	July 1948		June 1948	
	NEI f.	US \$	NEI f.	US \$
	(in millions)			
Netherlands .....	40	15	42	15.7
U.S. ....	15	5.6	17	6.4
Singapore .....	14	5.2	9	3.4
Japan .....	5	1.9	4.2	1.6
Great Britain .....	5	1.9	2,175	0.8
Canada .....	3	1.1	—	—



# INDUSTRIAL DEVELOPMENT IN EAST JAVA

Steady development of industry is reported from East Java. The batik-making establishments, for example, readily absorb all materials supplied and a number of contracts for the manufacture of about 126,000 sarongs are ready to be concluded as soon as sufficient raw materials are available.

For the engineering industry it is a first requisite that manufacturers should be able to carry out re-equipment orders expeditiously. Five factories will jointly supply to the Food Fund a number of complete rice-hulling plants and some auxiliary machinery for rice mills to a total value of nearly 2 million guilders. This is the first time in the history of industrial rehabilitation that such a big order is to be executed entirely by the home industry.

The shortage of tin packing has been partly met by the Netherlands Indian Metal and Packing Works at Malang, which recently resumed work. In the same place 21 soap works are in operation again, producing together 100 tons per month, while the Faroka cigarette factory is already giving employment to 800 men. As the parts ordered for the cigarette manufacturing plants are now gradually arriving, it will be possible to raise the productive capacity still further.

# DATA ABOUT AGRICULTURE IN INDONESIA

About three quarters of the population of Java and Madura are directly involved in agriculture. Nearly 8 million hectares out of the total surface of Java and Madura of 13,217,400 hectares are used for native culture, which includes 3.4 million for rice growing and 3.1 million for the cultivation of various other native crops and fisheries, about 1 million for plantation crops and over 3 million hectares for government timber. It is estimated that about two thirds of the much more sparsely populated Outer Provinces (Borneo, Sumatra and Cele-

bes, the little Sunda islands, the Molucca islands, New Guinea, as well as a few groups of islands and some isolated islands) are covered with timber. However, in these islands the cultivation of crops grown for commercial purposes is comparatively much more important than in Java.

Part of those commercially grown crops are produced by plantations financed by Western capital. Copra and kapok, like tobacco in as far as this is cultivated for home consumption, are mainly native products. The greater part of the tobacco grown for export, however, is produced by Western plantations. Half the rubber and coffee and two thirds of the tea are cultivated on Western plantations, while sugar, palm-oil fibre and quinine are practically exclusively plantation products. Comparing the total statistical value of native and plantation products, in 1938 exports of plantation products amounted to 264 million guilders and 169 million guilders worth of native products.

# CONDITIONS IN WEST JAVA IN JULY, 1948

*Conditions in general:* Reviewing the past year notwithstanding many difficulties and dangers, much has been achieved.

Inadequate security in various localities still hampers economic development, though progress continues all along.

The food situation during July was favourable. Rice and other foodstuffs were issued in a few districts hardhit by malaria.

Prewar cooperatives in West Java have resumed operations and some new cooperatives have been set up. Cooperative fish auctions at Cheribon are doing well, in contrast with textile cooperatives in that region.

*Exports:* From Cheribon 1,604 tons of domestic produce were shipped to various parts of the Archipelago, 913 tons of which with ultimate destinations abroad; an increase of 500 tons compared with June.

*Silk Regie Sales Centres:* 8 new centres were established, in addition to the 20 centres already in operation; a further 3 centres are to be opened shortly.

*Cotton Industry:* The total number of hand looms in operation by the end of June was 12,708 compared with 9,826 in April last. The July production was estimated at 1,275,000 metres sarong material, 209,000 metres poplins, and 77,000 metres cotton suitings.

The batik works production is estimated at 58,000 units. This branch of the industry offers regular work at good wages.

During May the production of cotton driving bolts was started with a monthly capacity of about 13,000 metres.

*Tea and Rubber:* Tea purchases by the tea mills fell off from 4,052,000 half-kilogrammes in June to 3,718,000 half-kilogrammes due to the setting in of the dry season and higher quality requirements by the mills.

In the Buitenzorg district cultivation of non-estate rubber is up.

*Forestry:* Insecurity hampers forestry work, but preparation for 1948 plantings are continuing steadily in all localities. The war-period arrears in teak thinnings are well in hand.

*Estate Agriculture:* Of the overall number of estates in West Java, 489 in number, 310 are now under supervision of the Economic Affairs Department, out of which 186 have been returned to private management.

The production of rubber, estate-tea and cinchona bark is gradually going up (in metric tons):—

	Rubber	Cinchona	Estate-tea
1948			
Jan. ....	985	307	405
March ...	1,232	401	577
May ....	1,589	668	747
June ....	1,779	732	826

*Sugar Industry:* Of the West-Java sugar concessions totalling 11,037 hectares (abt. 27,000 acres), 4,660 hectares (abt. 11,500 acres) have now been planted in sugar cane.







